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August 20, 1990

Pensions & Investments

The Newspaper of Corporate and Institutional Investing

$8 An Issue / $127 A Year

AT DEADLINE

Judge appoints 2 overseers

A federal court judge has appointed Jack Taffer, a Miami attorney, to oversee the real estate assets of the Operating Engineers Local 675 pension fund. Martin Steinberg, another Miami attorney, also was named special counsel for all other aspects of the local's pension and health plans.

The judge, however, refused a request by the Department of Labor — which is suing the trustees for investing 95% of plan assets in real estate — to remove the plan trustees.

N.Y.C. fund assesses tax

The $45 billion New York City Retirement System stands to lose $50 million annually in direct payment of the proposed 0.5% excise tax on securities transactions under review by the Bush administration.

And, if the Congressional Research Service's prediction — that the tax also could cause a 9.3% to 14.6% decline in the stock market — pans out, the fund could lose another $1.2 billion to $1.9 billion on its stock holdings.

The estimates were issued by Comptroller Elizabeth Holtzman.

In a separate development, the pension fund has agreed to purchase as much as $100 million in mortgage-backed securities issued by the Federal National Mortgage Association as part of a program designed to make home ownership more affordable.

Consultant, 2 managers hired

The $11 million Giant Food Stores pension fund hired Shearson Lehman Brothers Consulting Group as its first pension fund consultant. Shearson, in turn, helped the fund select Avatar Associates and Newbold's Asset Management Inc. to run between $5 million and $6 million each in balanced accounts. They replace Hahn Holland & Grossman, which had managed all the fund's assets.

The change was part of a restructuring of the fund's assets, said Ernie Smith, Giant Food Stores' chief financial officer and vice president of finance.

First City taps execs for unit

First City Bankcorp. of Texas has formed a merchant banking group to pursue management buy-outs, recapitalizations, expansions and divestitures for Southwest-based companies.

Jeffrey T. Hinson, who recently joined First City from Texas Commerce Bank in Houston, will serve as president. Managing directors are J. Brad Fillmore and Steven E. Seach, also former Texas Commerce executives.

Decere joins consulting firm

Martin Decere, treasurer and director with Raymark Industries, resigned to join Cash Tech Consulting as director of cash and treasury management consulting. He will be responsible for ensuring the execution and quality of the firm's cash management consulting practice.

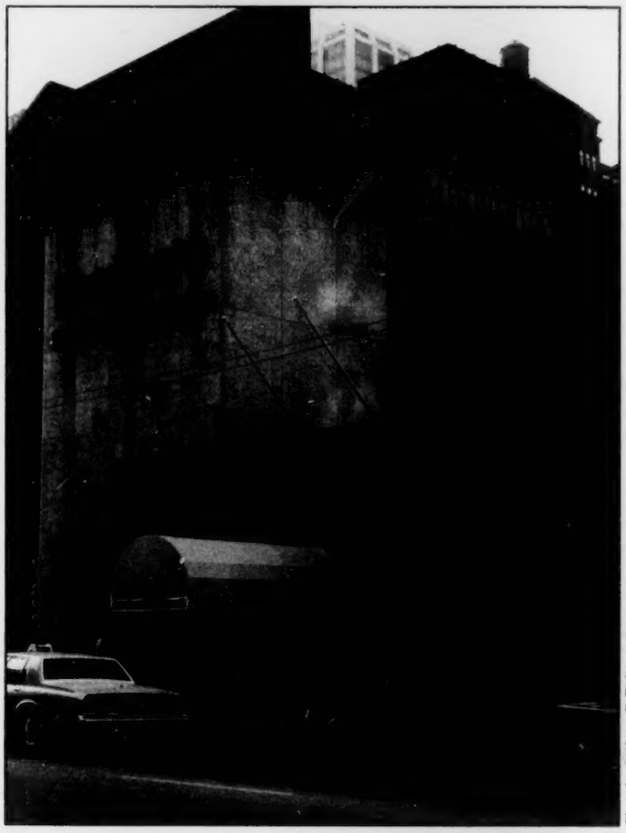

Photo by Anthony F. Picke

Isosceles wants to boost the profitability of Herman's World of Sporting Goods before putting the business on the selling block.

Big European LBO on edge of collapse

By Marcia Parker

Gateway Corp., Britain's first big public leveraged buy-out and one of Europe's largest, is faltering.

Indeed, in the next few days, Gateway is expected to report a sizable loss. Meanwhile, talks with shareholders and creditors on restructuring, a possible equity infusion and other options are under way.

One year after Isosceles PLC, a a British investor group that included S.G. Warburg & Co. and Wasserstein, Perella & Co., acquired Gateway, the stock has plummeted to $10.40 (5.5 pounds) from about $47.40 (30 pounds). The $47.40 figure is based on the prevailing exchange rate when the buy-out was completed; all other dollar figures refer to current exchange rates, although the pound's value has dropped recently against the dollar.

The plunge in publicly traded Isosceles units left a trail of unhappy big-name U.S. and European institutional shareholders and creditors and has elevated the tension at the bargaining table.

Only a few buy-outs have tottered in Britain, where less debt is used than in the United States.

The contest for control of Gateway was one of 1989's most heated global takeover battles, pitting investment banking titans Warburg and Wasserstein, Perella against each other.

Although Warburg was the victor, the two sides worked out a compromise in which Wasserstein and The Great Atlantic & Pacific Tea Co. — the U.S. supermarket chain that teamed up with Wasserstein to make a rival bid for Gateway against the Warburg group — got a significant equity stake. It was a premier deal for Wasserstein, which was beginning a major European push. It also was selected as one of *Pensions & Investments*' deals of the year (*P&I*, Jan. 8).

Even though sales, profits and cash flow have exceeded expectations, asset disposals haven't kept the expected pace. As a result, debt wasn't pared as much hoped.

Since Isosceles management has decided to keep more of the assets than it originally planned — including Herman's World of Sporting Goods, the U.S. sporting goods chain — the cash that would have been generated from asset sales won't be available to

See **LBO trouble** *on page 37*

Government hits at underfunding

Huge surcharges under consideration

By Joel Chernoff

WASHINGTON — Employers with underfunded pension plans could get slapped with a hefty surcharge on premiums paid to the Pension Benefit Guaranty Corp. under options being considered by the Bush administration.

In addition, the administration might consider reducing the amount of benefits guaranteed by the PBGC when certain "trigger points" are reached. It also wants to eliminate coverage of contingent benefits, such as plant shutdown benefits, which unions fiercely guard.

The changes, contained in a list of budget options developed by the Office of Management and Budget, could raise costs for employers — particularly for those with union-negotiated plans — because of the way in which such plans are funded. Some large employers still could face significant cost increases.

Currently, employers with fully funded single-employer plans pay an annual premium of $16 per participant to the PBGC, while those with underfunded plans pay a surcharge of up to $34 per participant, depending on the level of funding.

"I think it's a serious retreat from the historic role the PBGC has played as a safety net" for private pensions, said James Klein, deputy executive director of the Association of Private Pension and Welfare Plans, Washington.

The changes would help the government limit its exposure to potential liabilities in so-called "government-sponsored enterprises." The government is on the hook for losses experienced by such entities, but has little control over that exposure.

OMB Director Richard Darman has termed such potential liabilities a "hidden Pac-Man" because of their capability of gobbling up billions of dollars in federal money.

So far, debates have raged over the effect of imposing tougher credit standards on such institutions as the Federal National Mortgage Association and the Student Loan Marketing Association. It is clear, however, the administration also has its eye on

See **PBGC** *on page 35*

PBGC chief James A. Lockhart III says his agency's exposure is a "hidden Pac-Man."

EC funds get ready

New rules to liberalize pension investing

By Margaret Price

Pension executives at some multinational companies are preparing for major changes in the way their European pension funds invest.

A draft of European Commission directives on pension funds is expected to be issued in fall, but officials of Unisys Corp. and IBM Corp. already are exploring ways to take advantage of a unified, more liberal European market. While Unisys and IBM are at the forefront, it may take longer for executives at other companies to educate themselves on the pending rules and to establish appropriate policies.

The commission aims to break down national rules so employees gain more mobility and investing of the EC's retirement assets is liberalized. The rules would affect all companies operating in Europe.

The commission's goals were outlined in a speech by Sir Leon Brittan, the European Commission's vice president for competition and financial institutions. The aims are to "ensure full freedom of cross-border membership of pension funds within the EC, and thus to open up the possibility of pan-European funds; to ensure full freedom to provide the service of managing pension funds; (and) to ensure full freedom of cross-border investment of pension fund assets."

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NEWS DIGEST

Flextronics Inc., an electronics manufacturer with significant operations in Asia, has completed a recapitalization plan that included Hong Kong institutional investors. Page 6.

The boost to corporate profits from declining pension expense is ending, a Kidder Peabody study shows. Page 4.

Ford Motor will retain some surplus pension assets as part of the sale of Ford Aerospace to Loral Corp. Page 39.

SPECIAL REPORT: PIPER

Second quarter investment returns for domestic equity and fixed-income, international and real estate pooled funds in the PIPER and PIPER+ universes are tallied. Page 17.

FINANCING

Gateway Corp. shareholders and creditors are trying to save the U.K.'s first big buy-out. Page 1.

Cincinnati Bell's ESOP issue attracted strong interest from institutional investors. Page 2.

Corporate executives have postponed borrowing activities, waiting for the dust to settle in the Middle East. Page 39.

INTERNATIONAL

Unisys and IBM are exploring the advantages of a pan-European pension strategy. Page 1.

The Middle East crisis has created buying opportunities for investors pursuing international plans. Page 3.

REAL ESTATE

Former National Property Advisors staffers failed to retain management of the disbanded firm's assets. Page 2.

Oil belt property markets won't see much immediate benefit from the rise in oil prices. Page 3.

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Vol. 18, No. 18 — Pensions & Investments (ISSN 0273-5466) is published biweekly with a special edition in May by Crain Communications, Inc., 740 Rush St., Chicago, Ill. 60611-2590. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investments, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207

Survey questionnaires in the mail

Pensions & Investments' **annual directory of master trust/custody and global custody banks, and biennial survey of pension executives and money managers on their satisfaction with master trust services, are under way. Questionnaires were mailed July 24 and are due Aug. 27. If your organization has not received a questionnaire or if you have a question about the surveys please contact Christine Philip, directory coordinator, at (312) 649-5217.**

Buyers grab ESOP notes

Cincinnati Bell to lend $72 million in proceeds to plan

By Marlene Givant Star

CINCINNATI — Cincinnati Bell Inc. financed its $72 million employee stock ownership plan at the lowest cost for any publicly financed ESOP.

Investors snapped up its 10-year notes, which carried a 9.1% coupon.

The fact that the issue — among a growing number of offerings in the public market to fund ESOPs — was sold to insurance companies as well as pension funds underscores how hungry institutional investors are for quality corporate paper. A lot of money insurers used to invest in tax-advantaged ESOP paper, which is scarcer now that the tax law has changed, is being funneled into taxable investments like ESOP notes.

Cincinnati Bell's employee stock ownership plan deal differed from others in that it will involve back-to-back notes issues. Cincinnati Bell borrowed well in advance of the formation of the ESOP, and will lend the proceeds to the ESOP. In other deals, an ESOP borrows directly in the public market and the company guarantees the ESOP debt.

"We're trying to set up ESOP trusts effective Oct. 1. We used to have a PAYSOP. This is the first (leveraged ESOP) we've done," said Leonard Haussler, assistant secretary.

The issue of 9.1% notes due June 15, 2000 was sole managed by Morgan Stanley & Co. Inc., New York.

By tapping the public market, Cincinnati Bell is following in the footsteps of two other telephone companies. Bell South Corp., which went to market with a $275 million offering Jan. 24, was the first company to issue public debt for use in an ESOP (*Pensions & Investments*, Feb. 5). NYNEX Corp. issued $500 million to create an ESOP (*P&I*, March 19).

Prior to the Cincinnati Bell deal, Mobil Oil Corp.'s $800 million offering represented the cheapest cost of funds, carrying a coupon of 9.17%, according to Paul Mazzilli, principal of Morgan Stanley.

Cincinnati Bell's "back-to-back notes structure" — which also has been used this year by Consolidated Rail Corp., Dayton Hudson Corp. and Chubb Corp. — is becoming increasingly popular because of the built-in flexibility it affords issuers. Typically a company might issue 15-year notes pre-payable any time and subsequently lend to the ESOP under its own terms.

In a more conventional ESOP financing structure like Mobil's, in which the ESOP borrows in the public market directly with the

See **ESOP** *on page 38*

Termination spurs lawsuit

Laid-off workers want piece of pie

By Joel Chernoff

Four former employees of DeSoto Inc. have charged the company laid off 10% of its work force late last year in order to swell its pension fund coffers and help avert a takeover attempt.

The former employees have filed suit in U.S. District Court in Chicago to stop the Des Plaines, Ill.-based paint and chemical manufacturer from terminating its plan and distributing $28 million in after-tax surplus assets to shareholders. They also want monetary damages to provide them with the benefits they would have accrued had they not been dismissed.

The lawsuit will provide a new test as to whether employees have rights to future benefit accruals, though earlier rulings have upheld employers' right to terminate their overfunded pension plans.

Michael Gordon, a Washington pension lawyer, called the litigation "a long shot." Another pension lawyer, who asked not to be named, was more optimistic, saying the unusual set of facts in the case may give workers a boost.

Photo by Anthony F. Ficke

DeSoto, which recently sold this Chicago Heights, Ill., plant, is being sued by former employees who want benefits they would have accrued had they not been dismissed.

The former DeSoto employees, who are seeking permission to represent a class of older workers dismissed by the firm last year, charge the company's actions violated a provision of the 1974 Employee Retirement Income Security Act that prohibits interference with plan participants' attainment of pension rights.

"The funds which DeSoto proposes to distribute to shareholders as purportedly 'excess' pension

See **Termination** *on page 38*

Karsten gets NPA properties

By Terry Williams

Karsten Realty Advisors has assumed investment management of about $100 million of property in three group trusts from National Property Advisors.

The decision means NPA staffers were unsuccessful in their attempt to continue managing the assets by affiliating with another firm.

"It leaves us looking for jobs," said Andrew McGregor, president of NPA. "There is still a great deal of affinity for working together as a team, though I have suggested to people to look for employment on their own because chances of (affiliating with an adviser) are slim."

Karsten, Los Angeles, also takes over management from NPA of the $60 million general account of National Property Life Insurance Co., Montpelier, Vt.

NPA, Atlanta, was disbanded in May when its employees accepted voluntary separation benefits offered by National Life Insurance Co., its parent company.

The offer was made as a result of a restructuring by the insurer. It was not National Life's intent to eliminate NPA, but when offered the benefits, all but two of NPA's 27 employees accepted.

Instead of rebuilding a real estate investment management division, the insurer decided to seek a third-party manager, according to Kenniston P. Merrill, vice president and chief investment officer.

Mr. McGregor said NPA employees sought an affiliation with Montgomery Asset Management of San Francisco in hopes of continuing to manage NPA's assets. But the affiliation was contingent on the NPA employees gaining management of the properties, he said.

While he praised Karsten as an excellent firm, Mr. McGregor said the best choice would have been for investors to contract with the current management.

It was the pension fund spon-

See **Karsten** *on page 37*

Investors calm after Iraq attack

Funds 'steady on the rudder'

P&I Special Report

Institutional investors reacted almly to the crisis in the Middle ast, though a few growth stock anagers took advantage of the arket drop to buy some bar-ains.

Typical of those who oversee rge tax-exempt funds was John nglish, vice president and chief ivestment officer for the $5.6 illion Ford Foundation, New ork: "We have had daily meet-gs to discuss the situation, and e have received many outside alls (from investment managers) ut we are steady on the rudder."

John Bell, assistant treasurer, onsolidated Edison Co., New ork, has "the distinct impression ie managers are making few anges" because he has gotten w calls. Money managers for on Ed's $3 billion pension fund ave full discretion, but let fund xecutives know when they make ubstantial changes in their port-lios.

Myra Drucker, director-trust vestments, International Paper o., Purchase, N.Y., said she is ill trying to "assimilate what it l means. I think the market has scounted most of the impact of e crisis, unless one is going to npose a really tough scenario. 's not the kind of situation here I want to react quickly. We ave talked to a number of man-ers, and I am not getting the eling yet that we ought to be in panic situation."

Among her $2.7 billion fund's anagers, Ms. Drucker said, one rm had shaved its equity posi-on, but had been nervous about e market before Iraq invaded uwait.

Ms. Drucker especially wants to lk to her fund's fixed-income anagers: "That's where the con-sing signals are to me."

John Carroll, president, GTE vestment Management Corp., amford, Conn., noted the crisis ill is unfolding, and it's too early make any investment strategy asset allocation changes in TE's $10.7 billion fund.

Consultants agree clients acted calmly.

"None has called about this," id George Berla, principal of Berla Investment Consulting, Walnut Creek, Calif. "The ones I have contacted have not expressed a great deal of concern."

As a result, pension funds are sticking with their asset allocation strategies and are not altering their actuarial assumptions.

"There hasn't been any particular desire to respond in some way," said Ron J. Surz, a principal with Becker, Burke Associates, Chicago. "They are taking a wait-and-see attitude.

"We would encourage that," Mr. Surz said. "We take the view that (pension investments) are long term in nature, and it's impossible to call the trends in the market. We recommend they stick to their guns and wait out the storm."

James Knupp, a principal with Ennis, Knupp & Associates, Chicago, said the crisis is just one of the traumas long-term investors go through.

In last year's fourth quarter, there was trauma in all types of equities. In the first quarter of 1990, the trauma was in foreign stocks, said Mr. Knupp.

Some growth stock managers reacted by taking advantage of the decline in stock prices caused by the Iraqi invasion to invest a chunk of their cash reserves.

Sounding optimistic, Michael Wolf, vice president-senior portfolio manager, IDS Advisory Corp., Minneapolis, said the firm "increased holdings of oil services companies" for those portfolios underweighted in the sector. Most of its portfolios, however, already held about a market weighting of 14% before Iraq's takeover of Kuwait.

"We were fairly invested (before the invasion), holding 8% to 12% cash in portfolios," he said.

Said Ashby M. Foote III, chief investment officer at Vector Money Management Inc., Jackson, Miss.: "We've taken advantage of some weak areas of the market to add positions in companies we really like," particularly in the technology, automobile and retail sectors.

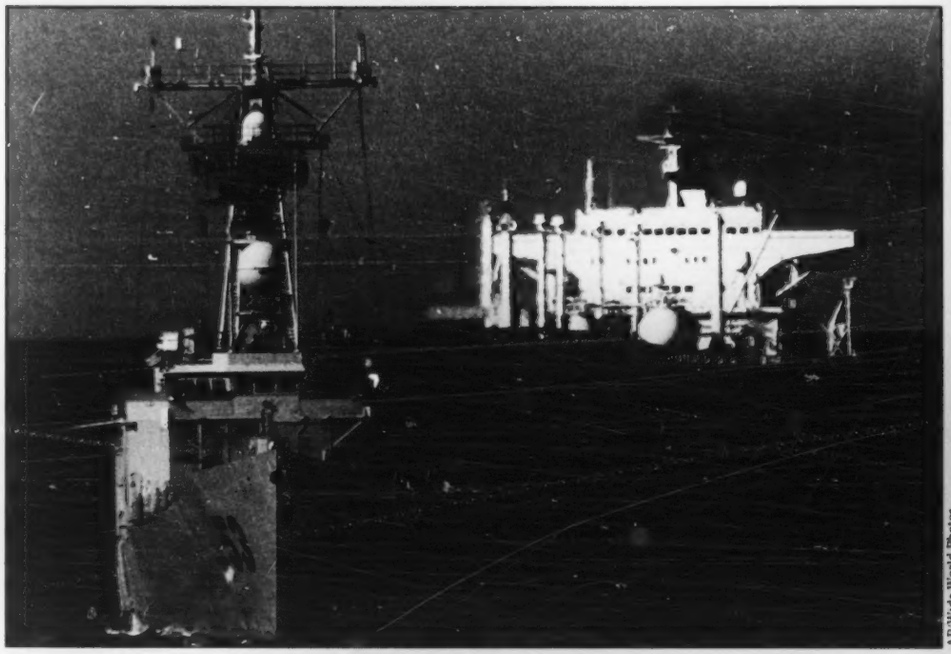
"The knee-jerk reaction was that this (invasion) guarantees a recession," Mr. Foote said. "So all the stocks that depend on a good

See **Investors calm** *on page 35*

Impact of crisis on the market
(S&P 500 returns by sector Aug. 1-13)

Industries	%	Beta*	%
Business equip. & serv.	−5.33	0.0 - 0.9	−2.18
Capital goods	−7.26	0.9 - 1.1	−3.91
Consumer durables	−9.81	1.1 - 1.3	−6.86
Consumer non-durables	−4.00	1.3 - 1.5	−5.65
Consumer sevices	−7.61	Above 1.5	−6.62
Energy	0.96	Universe	−4.46
Financial services	−4.66	**Yield***	**%**
Health care	−5.21	0.0	−7.63
Multi-industry	−5.47	0.0 - 3.0	−4.88
Raw materials	−5.71	3.0 - 5.0	−3.54
Retail	−5.39	5.0 - 8.0	−5.21
Shelter	−6.45	Above 8.0	−3.12
Technology	−5.77	Universe	−4.46
Transportation	−8.47	**p/e***	**%**
Utilities	−3.74	0.0 - 8.0	−5.41
Universe	−4.46	8.0 - 12.0	−5.80
		12.0 - 16.0	−4.97
		Above 16.0	−3.58
		N/A	−3.42
		Universe	−4.46

Source: Mellon Capital Management Corp.
*By quintile



AP/Wide World Photos

Despite a possible interruption in the flow of oil from the Persian Gulf because of continuing tensions in the Middle East, U.S. pension fund executives are cautiously proceeding with plans to invest internationally. Some money managers, however, are raising cash.

Pension executives continue international investment plans

By Margaret Price and Curtis Vosti

Bearishness toward non-U.S. equity markets is rising among money managers, but some tax-exempt investors are proceeding with their international investing plans.

Some managers and investors talk of "buying opportunities" sparked by recent market declines. Still, caution remains the watchword, and most investment managers prefer to sit tight or even raise cash.

Among tax-exempt funds, the crisis and its expected repercussions don't seem to be deterring foreign investing.

"International programs will stay in place and when things settle down a little, people will be moving ahead with their overseas allocations," said Jim Waterman, a senior vice president with Inter-Sec Research Corp., Stamford, Conn.

Robert J. Kolyer Jr., assistant vice president-investments for the $430 million endowment of Brown University, Providence, R.I., said the endowment is going ahead with plans to invest globally — about 5% of assets initially. He hopes to hire "one or two very experienced" global equity managers in the next three to six months.

In the long run, the greater diversification will enhance returns, he said.

The approximately $155 million Tucson Supplemental Retirement System is continuing its funding schedule for the two international money managers it hired this year: Fiduciary Trust Co. International, New York, for international fixed income, and Murray Johnstone International Ltd., Chicago, for equities.

The pension fund made its initial allocation of $2 million to Fiduciary on July 2, and plans to fund $1 million a month up to a total of $8 million. With international equities, the fund made a $2 million allocation in August and will "probably add $1 million each quarter up to a total of $8 million," said Michael Parisi, treasury administrator.

The reasons for not postponing

See **International** *on page 37*

No oil belt windfall expected

Troubled U.S. real estate market sees mild recovery at best

By Steve Hemmerick

The rise in oil prices resulting from Iraq's invasion of Kuwait likely will provide only mild help to real estate markets in oil belt states where pension funds hold more than $2 billion in property investments.

As yet, the price of oil hasn't risen sufficiently to bail out investors who had taken hundreds of millions of dollars in write-downs on commercial real estate in Texas, Oklahoma, Louisiana, Arkansas and Colorado.

Yet, some help for the troubled real estate markets is expected. "Yes, there will be a recovery, but it won't be all-out gang busters," said David Shulman, director of bond market research at Salomon Brothers Inc., New York.

"I think it will be a boomlet," agreed Richard Kateley, president of Real Estate Research Corp., Chicago.

Developers went on bank-financed building sprees in the Southwest during the late 1970s and early 1980s.

In addition to easy financing, the consensus view that oil would climb to between $60 and $100 a barrel — which never happened — and oil-based economies would flourish further fueled construction.

In the last few weeks, oil has jumped to about $26 a barrel from $16 a barrel. While Mr. Shulman called the price increase "a positive" for oil states, he noted the price of oil, on an inflation-adjusted basis, would need to rise to $57 per barrel just to reach its former peak.

Not only is the price of oil still well below its peak, but also the euphoric outlook on what the rising price of oil will bring to the Southwest is gone, he said.

Mr. Kateley said Houston should benefit the most from the oil-led recovery in office properties since most of the oil companies consolidated their operations in that city after the collapse in oil prices in 1986.

While he said he'd expect less improvement in the office sector in Denver, Oklahoma City, Tulsa and even Dallas, he added there would be a "ripple effect" to other real estate markets.

He added distribution warehouses probably would benefit as drilling equipment is moved from one site to another.

Even so, Mr. Kateley said conservation measures could lead to less oil consumption, thus negating at least partially any price increases.

Before any positive effect could take place, some think it would have to be shown that higher oil prices are not just temporary.

People in the oil belt states now

See **Oil belt** *on page 35*

Managers playing it safe

efensive portfolios shine brightly during short term

Marlene Givant Star

Stocks in such bellwether industries as pharmaceuticals and d and beverages propelled returns of the top PIPER equity nds above 14% during the quarter ended June 30.

And many managers now are coming even more defensive in nt of the current turmoil in the ddle East.

Safety was profitable in fixed-ome, too, as government-re-ed bonds were strong per-mers during the three-month iod.

Shearson Trust Co.'s EF7 com-ngled equity fund was the top ity fund in Pensions & Invest-nts' Performance Evaluation port for the three- and 12-nth periods, with returns of 17.88% and 40.96% respectively.

Boatmen's Trust Co.'s Bond Fund F topped the fixed-income roster for the quarter with a 5.27% gain. Mercantile Bank, Joplin, Mo., far exceeded other funds for the year with a 17.09% return and also ranked second for the quarter with 4.93%.

For periods ended June 30, the median PIPER equity return was 6.28% for the quarter, 15.9% for the year and 15.76% for the five years. Returns for periods of more than one year are compound annualized. The Standard & Poor's 500 Stock Index beat the median for all the periods returning 6.3%; 16.51% and 17.3%, respectively.

The median PIPER bond fund returned 3.2% for the quarter, 7.62% for the year and 9.79% for the five years. The median lagged the Shearson Lehman Hutton Government/Corporate Bond Index for all periods but the 12 months. The index gained 3.6% for the quarter; 7.11% for the year and 10.31% for five years.

The PIPER universes are compiled by Rogers, Casey & Associates, Darien, Conn. The equity universe consists of 332 commingled funds of banks and insurance companies, and the fixed-income universe, 302 funds.

Among equity funds, defensive plays yielded the best results during the second quarter. The common stock fund of Princeton Bank & Trust, East Brunswick, N.J., a runner-up for the 12 months with a return of 37.8%, was buoyed during the quarter by its emphasis on companies in capital goods and consumer staple industries.

The $45 million fund had 23% in consumer staples such as pharmaceuticals and 12.9% in capital goods such as pollution control stocks as of June 30. **General Electric Co.**, one of the fund's top capital goods holdings, has been a strong performer this year as has Britain's **Glaxo Holdings**, the world's third largest pharmaceutical company. Princeton invests in Glaxo's American depository receipts. A big pollution control holding is the over-the-counter traded Class B shares of Canada's **Laidlaw Inc.**, the world's second largest solid waste company.

Third-quarter returns also might shine for Princeton as the firm fortuitously began overweighting energy stocks two months ago, just in time for the Iraqi invasion of oil-rich Kuwait. Energy stocks were increased since June to 20% from 14.2% with the accumulation of **Exxon Corp.** stock at a price of $47. Now the stock trades at $54. "Oil was the only area of the market that went up in the last month," noted Frank Lane, chief investment officer.

In third place for the year was Chancellor Capital Management's $36 million Select Growth fund, which invests in high-quality large-capitalization growth stocks and normally has a bias toward food, beverage and tobacco stocks; health care and retail companies. "In the first six months, those stocks tended to

See **Defense** *on page 31*

PIPER equity funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	17.88%	40.96%	17.90%	24.19%	25.44%
First quartile	8.16	18.98	10.47	17.24	17.63
Median	6.28	15.90	9.14	15.76	16.60
Third quartile	3.90	11.27	7.71	14.33	14.95
Lowest return	−4.53	−7.70	−12.25	2.63	10.75
S&P 500	**6.30**	**16.51**	**9.29**	**17.30**	**16.93**

PIPER fixed-income funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	5.27%	17.09%	11.37%	13.46%	14.30%
First quartile	3.47	8.21	9.21	10.57	11.74
Median	3.20	7.62	8.74	9.79	11.03
Third quartile	2.86	6.84	8.21	9.08	10.62
Lowest return	0.20	−3.15	5.27	4.15	7.36
SLH G/C	**3.60**	**7.11**	**8.95**	**10.31**	**11.63**

PIPER special equity funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	16.99%	37.63%	20.14%	29.71%	21.17%
First quartile	9.51	18.21	11.77	16.07	17.75
Median	6.75	10.82	8.83	13.42	15.67
Third quartile	3.78	4.41	4.99	11.41	12.40
Lowest return	−2.00	−9.71	−7.34	2.84	10.22
S&P 500	**6.30**	**16.51**	**9.29**	**17.30**	**16.93**
Russell 2000	**3.86**	**3.05**	**2.91**	**9.57**	**14.16**

PIPER+ equity funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 y
Highest return	25.40%	70.64%	57.03%	29.84%	29.82%
First quartile	10.04	22.02	12.14	18.95	20.57
Median	6.31	15.04	10.04	16.72	18.50
Third quartile	4.08	9.06	7.77	14.88	16.86
Lowest return	−3.22	−6.23	−1.78	7.58	13.00
S&P 500	**6.30**	**16.51**	**9.29**	**17.30**	**16.93**

PIPER+ fixed-income funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	6.43%	10.47%	11.72%	15.89%	16.87%
First quartile	3.56	8.18	9.43	11.21	12.96
Median	3.23	7.38	8.95	10.46	11.99
Third quartile	2.80	6.46	8.53	9.73	11.37
Lowest return	1.41	−7.58	4.12	7.71	8.92
SLH G/C	**3.60**	**7.11**	**8.95**	**10.31**	**11.63**

PIPER+ special equity funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	12.55%	44.36%	38.47%	32.78%	22.55%
First quartile	6.60	14.35	9.60	15.64	15.18
Median	4.50	4.43	6.69	10.61	13.38
Third quartile	1.98	−0.97	4.63	9.24	12.31
Lowest return	−9.51	−9.65	1.66	6.55	9.75
S&P 500	**6.30**	**16.51**	**9.29**	**17.30**	**16.93**
Russell 2000	**3.86**	**3.05**	**2.91**	**9.57**	**14.16**

PIPER+ balanced/TAA funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	13.00%	25.74%	18.65%	25.06%	23.74%
First quartile	6.40	14.14	10.63	16.08	17.57
Median	4.82	12.03	9.57	14.76	15.76
Third quartile	3.90	10.03	8.40	13.19	14.94
Lowest return	0.54	−0.28	2.92	7.24	11.68

Growth stocks boost investment returns

By Terry Williams

Growth stocks fueled the returns of PIPER+ equity and balanced investment managers during the quarter and year ended June 30.

The top-performing PIPER+ equity funds for the quarter ended June 30 were Combined Capital Management Inc.'s Rangeley Partners Fund with a return of 25.4%; Cheswick Investment Co.'s equity composite, with 22.7%; and Mt. Auburn Management's Concentration fund, with 17.4%.

The median PIPER+ equity fund advanced 6.31%, edging the Standard & Poor's 500 Stock Index by one basis point.

For the year ended June 30, Dawson Samberg Capital Management's Growth Pequot Limited Partnership outdistanced its nearest counterpart by almost 26 percentage points with a 70.64% return.

Dawson Samberg was followed by Provident Investment Counsel's Stellar Fund with a 44.75% return, and Cheswick Investment's equity composite, with 41.44%. For the year, the S&P 500 returned 16.51% and the PIPER+ median fund rose 15.04%.

Combined Capital is a stock picker, according to Van Whisnand, a partner with the firm. Its 18-month-old Rangeley fund has about $6 million in assets.

"We don't invest on the prediction of economic cycles or international events or the course of interest rates," Mr. Whisnand said. "We can't predict those with certainty or consistency."

The criteria Combined Capital uses to select growth stocks include earnings per share growth of at least 20% for a minimum of five years, a minimum 20% return on equity and little or no debt. There is no capitalization requirement for the companies selected.

Combined Capital also likes companies that Mr. Whisnand described as "shareholder friendly." These are companies that do stock repurchases, dividend increases and spinoffs. Companies that are focused and not widely diversified also are appealing.

See **Growth** *on page 32*

Guide to rankings

PIPER:
Top 20% fixed-income 29
Top fixed income/size 30
Top 20% equity funds 27
Top equity by size 28
International funds 30
Top 20% special equity 30

PIPER+
Top 20% fixed-income 24
Top 20% equity funds 23
Top 20% international 27
Top 20% global funds 27
Top 20% special equity 26
Top 20% balanced/TAA 25

Retail performance stumbles

Steve Hemmerick

etail-mall-dominated JMB In-ational Realty Corp. closed-l investment trusts have ped from their leading posi-s in the Pensions & Invest-nts' Performance Evaluation ort.

he slip could indicate retail ls won't continue showing ir sharp climb in property ues.

ut so far malls are providing ng income return. That is a ak for pension funds, which l high prices for malls in 1989.

rdinarily, all JMB trusts are he top 30% in performance ng PIPER funds, and several e made the top 10% repeatedly ecent years.

ut for the 12 months ended March 31, the best performing JMB trust, Group Trust III, ranked 21 among 54 closed-end real estate funds. The fund's 8.45% return for the year put it in the top 40% of closed-end funds, but several other typically top-ranked JMB funds ranked even lower. Ranking in the fifth decile were JMB Group Trust II, which returned 7.29%; Group Trust I, 7.28%; and JMB Endowment II, 7.17%.

JMB Institutional Realty Endowment I returned 7.08%, ranking in the sixth decile; JMB Group Trust IV returned 6.5%, placing in the seventh decile; and JMB Institutional Endowment III returned 4.57%, finishing in the ninth decile.

A year ago, JMB Group Trusts II and IV were in the top 10% in the PIPER universe for the 12-month period and Group Trusts I and III were in the top 20%.

One reason the JMB trusts and endowment funds have been high performing is their significant percentage of assets in retail malls.

Just more than one-half of the properties in JMB Group Trusts I and II, for example, are retail malls. In the past several years, the appreciation component of return for retail investments has shot upward and made retail the top-performing category in real estate investment.

But in the first quarter of this year, retail properties turned in flat appreciation performance in the South and West, according to the Russell-NCREIF Property Index of real estate properties.

Appreciation performance for

See **Stumble** *on page 32*

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Healthy investments pay

Health-related issues create winners in special equity

By Curtis Vosti

Health-related issues helped the top funds in the special equity universe of Pensions & Investments' Performance Evaluation Reports and PIPER+ in the second quarter.

Chancellor Capital Management Inc.'s emerging health care fund was the top performer for both the quarter and the year ended June 30 among the 78 bank and insurance company commingled funds in the PIPER universe. The fund returned 16.99% and 37.63%, respectively.

"Biotechnology has finally arrived," said Parag Saxena, the fund's managing director. The $100 million emerging health care fund concentrates on small-capitalization companies, and has an average market capitalization of $200 million among its 50 issues.

The fund has "eclectic investments in health care," Mr. Saxena said, with average annual turnover between 20% and 30%. The firm is invested in five broad medical categories: biotechnology, 18%; medical products, 17%; small pharmaceuticals, 16%; extended care and specialized facilities, 18%; and medical distribution companies, 18%.

Holdings include **Synergen Inc., Scimed Life Systems Inc.** and **United Healthcare Corp.**, he said.

Finishing behind the Chancellor fund for the quarter were Equitable Capital Management Corp.'s special growth stock fund 3, which returned 13.71%; Bessemer Trust Co.'s emerging growth fund, 13.4%; and PW Trust Co.'s aggressive equity fund at 13.27%.

For the quarter, the median special equity fund returned 6.75%; the Standard & Poor's 500 Stock Index returned 6.3% and the Russell 2000 Index, 3.86%.

For the year ended June 30, the median PIPER commingled fund returned 10.82%, while the S&P returned 16.51% and the Russell 2000, 3.05%.

PIPER and PIPER+ are compiled by Rogers, Casey & Associates, Darien, Conn.

Health-related issues also helped the growth commingled fund of Equitable Capital, New York, whose 33.04% return for the year placed it second in that time period, also.

According to Barry Feinstein, the fund's managing director, the $45 million account normally holds about 50 issues. He looks for companies undergoing fundamental change that will accelerate earnings growth.

"We try to get into the stock before the change is recognized by the market," he said.

The fund has big weightings in biotechnology firms, cellulars and companies that control health care costs.

Some stocks Mr. Feinstein said have performed well include **Shorewood Packaging Corp.** and **Pall Corp.**, which was sold earlier this year.

Health care stocks also were a main theme in the composite performance of Axe Houghton Management Inc.'s aggressive accounts, and helped them place first for the quarter among the 48 PIPER+ funds run by investment managers.

The firm's accounts returned a composite 12.55% for the second quarter, while the median PIPER+ manager returned 4.5%.

The accounts use bottom-up stock selection, focusing on companies with high return on equity, according to Porter Sutro, director of research and portfolio coordinator.

The accounts are overweighted in Canadian oil exploration firms and low on technology stocks, he said. Mr. Porter also is big on health care stocks, such as **Medical Imaging Centers of America Inc., United Medicorp Inc.** and **Home Nutritional Services Inc.**

"We try to sell on first bad news," he said. "When we see a cockroach, we start to worry it might have a few companions in the cracks."

See **Health** *on page 32*

Stock picking gives the edge

By Margaret Price

Astute stock selection — and in some cases a boost from the partial rebound in the Tokyo market — aided many of the top international performers in Pensions & Investments' Performance Evaluation Reports for the second quarter.

But this year, what has proved fortuitous in one quarter has been wrong in another. Throughout 1990, world political and economic upheavals have made roller coasters out of major world markets. Such tumult has undermined short-term strategies and thrown uncertainty into expectations.

"It's been a tough time for investment managers," said Dan H. Blanks, president of Pictet International Management Ltd., London.

Pictet International accounts placed first and second for the three months ended June 30 in the PIPER+ universe of 98 international funds run by investment managers. The $13 million Positive Value Unconstrained Account had a 14.1% return and the $14 million Average Risk Category V, or Judgmental Risk, account returned 13%.

In comparison, the Morgan Stanley Capital International Europe Australia Far East Index advanced 9.63% and the median PIPER+ account returned 8.81% during the quarter.

The International Discovery Fund, a mutual fund managed by Rowe Price-Fleming International Inc., Baltimore, placed third with a 12.34% showing. For the year ended June 30, that fund bested all PIPER+ competitors with a 47.15% return.

Among the 40 funds in the PIPER+ universe of global funds, the $82.2 million global equity account of IDS International Inc., Minneapolis, won laurels for both the quarter and the year with returns of 10.98% and 32.99%, respectively.

For the quarter, the MSCI World Index returned 8.22%, the FT-Actuaries World Index advanced 7.38% and the median PIPER+ global account posted a 7.94% return. For the year ended June 30, the returns were 7.67%, 34.14% and 19.39%, respectively.

The quarter's top performer among 39 funds in the PIPER universe of international commingled funds of banks and insurance companies was the $30 million international equity fund of New York Life Insurance Co. that is managed by Gamma Advisers Ltd., London, an independently managed joint venture of New York Life and Credit Commercial de France. The fund advanced 12.08% during the quarter.

The Gamma fund was followed by Wilmington Trust Co.'s international equity fund with 11.79% and Wellington Trust Co.'s Pacific Basin Portfolio at 11.6%.

For the year ended June 30, CIGNA Corp.'s international equity fund finished first with a 35.52% return, followed by NCNB

See **Picking** *on page 31*

PIPER+ global funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	10.98%	32.99%	18.35%	32.18%	24.60%
First quartile	9.58	23.36	11.78	25.89	22.83
Median	7.94	19.39	8.42	23.59	19.94
Third quartile	5.84	16.72	6.91	20.05	18.56
Lowest return	2.87	5.30	3.33	19.42	17.92
MSCI World	8.22	7.67	6.59	22.17	17.73
FTA World	7.38	34.14	14.90	27.90	NA

PIPER+ International funds
(periods ended June 30)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	14.10%	47.15%	22.51%	61.67%	24.53%
First quartile	10.10	27.95	12.91	31.42	21.36
Median	8.81	21.00	9.70	30.17	20.43
Third quartile	7.35	15.33	6.08	27.80	17.47
Lowest return	0.17	−2.47	−0.52	15.64	12.68
FTA EuroPac	8.51	39.47	16.97	37.10	NA
MSCI EAFE	9.63	3.52	5.84	28.97	19.66

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FROM INSTINET

Top two deciles PIPER+ equity funds

3-month returns

	%
Combined Capital (Quality growth)	25.4
Cheswick Invst.	22.7
Mt. Auburn Mgmt.	17.4
General American (Closed end)	16.7
Capital Growth	16.6
Roger Engemann & Assoc.	16.5
Peregrine Capital	16.5
Provident Invst. Counsel	16.4
Harris Bretall Sullivan & Smith	16.4
Provident Invst. Counsel (Stellar)	16.3
Lehman Ark Mgmt. (Special sit.)	16.1
Scudder Stevens Clark (Sm. co.)	15.9
Northern Invst. Counsel	15.8
Jundt/Capen (Large cap.)	15.8
Dawson Samberg (Gro. Pequot)	15.8
Jundt/Capen (Small cap.)	15.6
Fred Alger Mgmt.	15.3
Janus Capital	15.2
Wall Street Assoc. (Sm. cap. gro.)	15.1
Presidio Mgmt. (Geary Partners)	15.0
Heartland Capital (Growth)	14.9
Friess Assoc.	14.6
Reynolds Capital	14.4
Pacific Century (Em. gro./sm.)	14.2
Peregrine Capital (Sm. cap.)	14.1
Tukman Capital	14.1
Nicholas Applegate (Growth)	14.0
Pacific Century (Growth)	13.8
Hellman, Jordan Mgmt.	13.8
Stein Roe Capital (H.Q. growth)	13.6
Lincoln Capital Mgmt.	13.6
Wilke/Thompson (Emerg. growth)	13.5
Lynch & Mayer (Growth)	13.5
Wilke/Thompson (Core growth)	13.3
Hellman, Jordan (Combustion)	13.2
Ashland Mgmt.	13.0
Fred Alger (Small cap.)	12.9
Beacon Invst.	12.9
J & W Seligman (Growth)	12.8
Pacific Invst.	12.8
Morgan Stanley (Emerg. gro.)	12.7
Pilgrim, Baxter, Greig (Sm. cap.)	12.6
Brown Capital (Rel. value)	12.5
Columbus Circle Investors	12.3
Union Capital (Cap. growth)	12.1
Denver Invst. (Med. sized)	12.0
J.M. Hartwell	12.0
Aetna Life (Lg. cap. growth)	11.9
William D. Witter	11.9
Investors Res. (20th cen. gro.)	11.8
Granahan Invst. (Explorer II)	11.8
Delta Financial (Growth)	11.7
Beekman Capital (Growth)	11.6
Turner Neill Invst.	11.6
Friess Assoc. (Brandywine)	11.6
Nelson, Benson & Zellmer	11.6
Scudder Stevens Clark (Qual.)	11.5
Chilmark Capital	11.3
Baring America Asset	11.2
Investors Res. (Select)	11.2
Cadence Capital (Small cap.)	11.0
Severn Assoc. (Fund I)	10.8
Wasatch Advisors	10.8
Miller/Howard Invst. (AMP)	10.7
S&P 500	**6.3**

1-year returns

	%
Dawson Samberg (Gro. Pequot)	70.6
Provident Invst. Counsel (Stellar)	44.8
Cheswick Invst.	41.4
Combined Capital (Quality gro.)	40.3
General American (Closed end)	38.7
Jundt/Capen (Large cap.)	37.3
Jundt/Capen (Small cap.)	37.2
Wilke/Thompson (Emerg. growth)	36.9
Harris Bretall Sullivan & Smith	35.9
Nicholas Applegate (Growth)	35.1
Provident Invst. Counsel	35.0
Morgan Stanley (Emerg. gro.)	35.0
Friess Assoc.	34.7
Fred Alger (Small cap.)	34.4
Lincoln Capital	34.1
Heartland Capital (Growth)	34.0
Presidio Mgmt. (Geary Partners)	33.9
Frontier Capital (Trad. growth)	33.3
Pilgrim, Baxter, Greig (Sm. cap.)	32.7
Lynch & Mayer (Growth)	32.6
Friess Assoc. (Brandywine)	31.7
Pacific Century (Em. gro./sm.)	31.5
Northern Invst. Counsel	31.4
Wall Street Assoc. (Sm. cap. gro.)	30.8
Lehman Ark Mgmt. (Sp. sit.)	30.6
Securities Res. (Putnam Voyager)	30.6
Wilke/Thompson (Core growth)	30.5
Scudder Stevens Clark (Sm. co.)	30.2
Peregrine Capital (Growth)	29.7
Securities Counsel (Sm. cap.)	29.6
Fred Alger	29.4
Roger Engemann & Assoc.	29.4
Mt. Auburn	29.1
IDS Equity Advisors	28.6
Miller/Howard Invst. (AMP)	28.6
Janus Capital	28.5
Dawson Samberg Capital	28.0
IDS Equity (Emerging growth)	27.8
Baring America Asset	27.8
Aetna Life (Lg. cap. growth)	27.7
Turner Neill Invst.	27.6
Oak Assoc. (Firestone)	27.5
Grananhan Invst. (Explorer II)	27.4
Hellman, Jordan Mgmt.	27.2
CMB Invst. Counselors	27.1
Stein Roe Capital (H.Q. growth)	27.1
Securities Res. (Kemper Summit)	27.1
Investors Res. (20th cen. growth)	27.1
Riggs Invst. (Inc./growth)	26.8
Investors Res. (20th cent. sel.)	26.7
Peregrine Capital (Sm. cap.)	26.6
Capital Growth Mgmt.	26.1
Beacon Invst.	26.0
Pacific Invst. Mgmt.	25.9
J & W Seligman (Growth)	25.6
Value Line (VLAM)	25.6
Scudder Stevens Clark (Qual.)	25.3
Reynolds Capital	25.2

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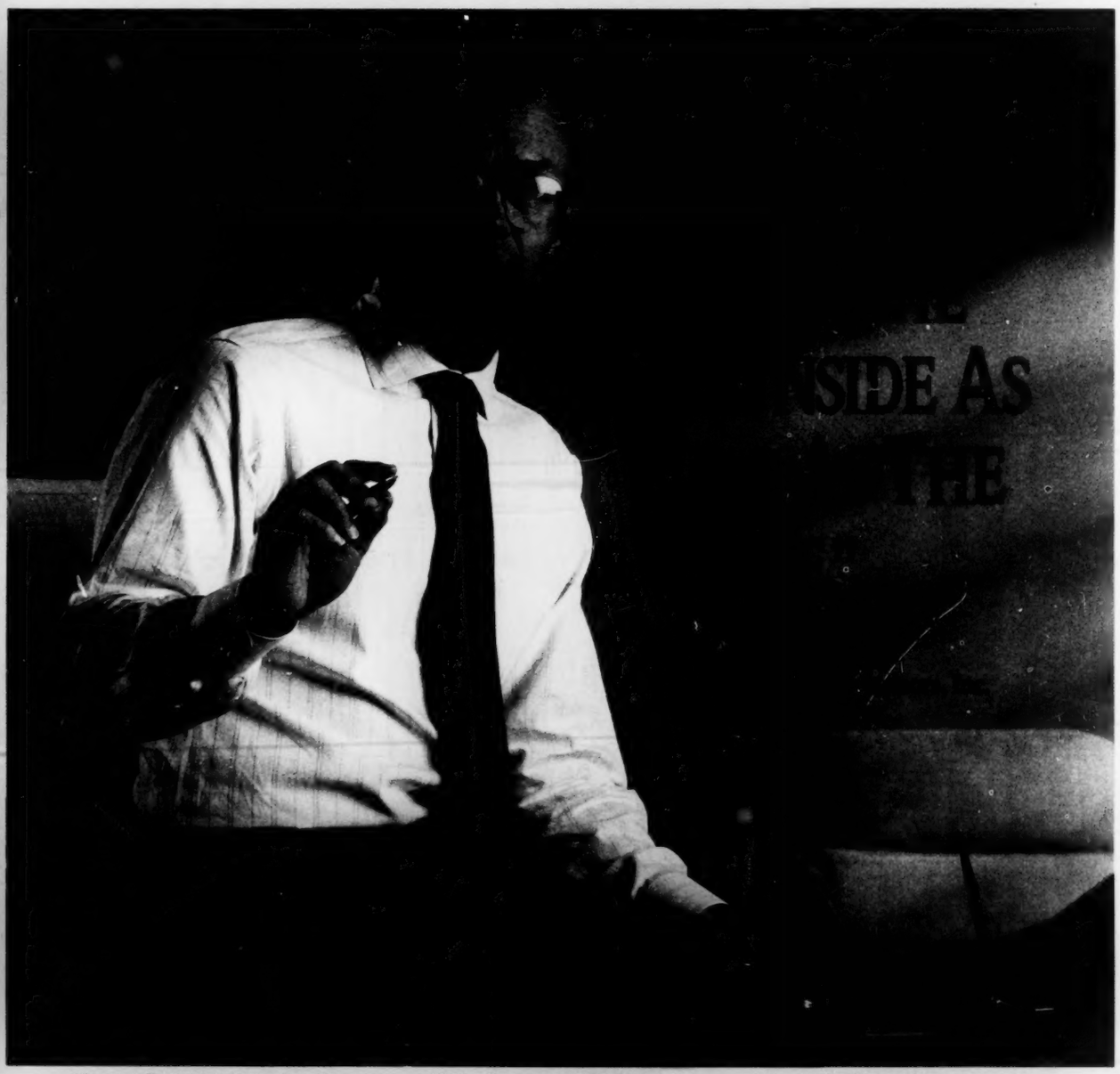
Leylegian Invst.	25.1
Wasatch Advisors	24.9
Hellman, Jordan (Combustion)	24.9
Delta Financial (Growth)	24.7
Columbus Circle Investors	24.6
RCM Capital Mgmt.	24.6
S&P 500	**16.5**

5-year returns

	%
Wilshire Asset (Lg. co. growth)	29.8
C.H. Brown (Computer dir.)	28.7
Cadence Capital (Small cap.)	26.8
Quantitative Asset (E index)	26.8
Oak Assoc. (Firestone)	26.4
Combined Capital (Quality growth)	25.6
Cheswick Invst.	25.5
J.M. Hartwell	25.3
Jundt/Capen (Small cap.)	25.2
San Juan Asset (Yield)	24.3
Friess Assoc.	24.2
Pacific Century (Emerg. cap./sm.)	23.8
Beacon Invst.	23.8
Breau Capital Mgmt.	22.5
Turner Neill Invst.	22.1
Columbus Circle Investors	21.9
Cadence Capital (Large cap.)	21.7
Jurika & Voyles	21.6
Leylegian Invst.	21.6
Lincoln Capital	21.5
Frontier Capital (Small cap.)	21.5
Argus Investors (Lg. cap. divers.)	21.5
Lynch & Mayer (Growth)	21.4
DeJarnette Invst.	21.4
Securities Res. (Dreyfus growth)	21.4
Tel Advisors of Virginia (Growth)	21.2
Investors Res. (20th cent. gro.)	21.2
Fayez Sarofim	21.2
Geewax Terker (H.Q. growth)	21.2
Harris Bretall Sullivan & Smith	21.1
Pennsylvania Invst. (Dyn. value)	21.0
Tukman Capital	20.9
Friess Assoc. (Brandywine)	20.9
Heartland Capital (Growth)	20.8
Institutional Capital	20.6
Reynolds Capital	20.6
Analytic Invst. (Option growth)	20.5
W.R. Lazard (Growth)	20.4
Roger Engemann & Assoc.	20.4
Jundt/Capen (Large cap.)	20.3
Red Oak Advisors	20.3
Nicholas Applegate (Growth)	20.2
Caldwell & Orkin	20.1
Dietche & Field Advisers	20.1
Capital Growth Mgmt.	20.1
Wall Street Assoc. (Sm. cap. gro.)	20.1
Waddell & Reed Asset	20.1
Ashland Mgmt.	20.1
Northern Invst. Counsel	20.0
Peregrine Capital (Sm. cap.)	20.0
MPT Assoc. (Divers. growth)	19.8
Putnam Cos. (OTC emerg. gro.)	19.8
Brinson Partners	19.7
Provident Invst. Counsel	19.7
Severn Assoc. (Fund I)	19.6
First Security Mgmt.	19.6
S&P 500	**17.3**

10-year returns

	%
C.H. Brown (Computer dir.)	29.82
Friess Assoc.	28.2
Nicholas Applegate (Emerg. gro.)	27.7
Wall Street Assoc. (Sm. cap. gro.)	27.2
Severn Assoc. (Fund I)	26.3
Friess Assoc. (Brandywine)	25.7
Cadence Capital (Large cap.)	25.3
Roger Engemann & Assoc.	25.1
Delta Financial (Growth)	24.9
San Juan Asset (Yield)	24.8
GAMCO Investors (ERISA)	24.4
Ashland Mgmt.	24.4
Capital Growth Mgmt.	24.2
Jundt/Capen (Small cap.)	23.8
Securities Res. (Dreyfus growth)	23.8
Caldwell & Orkin	23.7
Cedar Hill Assoc. (Value)	23.3
Hellman, Jordan Mgmt.	23.2
Columbus Circle Investors	23.1
Reynolds Capital Mgmt.	22.8
Wilshire Asset (Sm. comp. value)	22.7
Geewax Terker	22.6
Brandywine (Low p/e II/sm. cap.)	22.4
Geewax Terker (H.Q. growth)	22.4
First Security Mgmt.	22.1
Delta Financial (Value)	21.9
Oak Assoc. (Firestone)	21.9
Miller Anderson & Sherrerd	21.8
Sterling Capital	21.8
Investors Res. (20th cen. sel.)	21.8
Geo Capital (Small cap.)	21.5
Eagle Asset Mgmt.	21.3
Chase Investors (Sm. cap. value)	21.2
Wilshire Asset (Lg. co. growth)	21.2
Tukman Capital	21.2
S&P 500	**16.93**



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Top two deciles PIPER + fixed-income funds

3-month returns

	%
Huff Asset Mgmt.	6.4
Income Research (Long duration)	4.8
Loomis, Sayles	4.7
Peters, Gamm, West & Vincent	4.4
Denver Invst. (Long term)	4.4
Security Capital (Long term)	4.3
Loomis, Sayles (Invst. grade)	4.3
Turner Neill Invst. (Core)	4.2
Criterion Invst.	4.2
Kemper Asset Mgmt. (Plus)	4.2
Discount Corp. of New York	4.2
STW Fixed Income (Long comp.)	4.1
Miller Anderson & Sherrerd	4.0
Investment Advisors (And cash)	4.0
PRIMA (PRIMA X)	4.0
Standish, Ayer & Wood (Act. core)	3.9

Lazard Freres Asset	3.9
Standish, Ayer & Wood (SA free)	3.9
Harris Invst. (Active)	3.8
David L. Babson	3.8
Atlantic Port. Analytics (A)	3.8
Munder Capital (Active)	3.8
Mass Financial (Active)	3.8
RCM Capital Mgmt.	3.8
Scudder Stevens & Clark (Act. val.)	3.8
Mellon Capital (Cap. index)	3.7
Brinson Partners (U.S.)	3.7
J&W Seligman	3.7
Pacific Invst.	3.7
Pacific Invst. (SA Free)	3.7
Oppenheimer Capital (Value)	3.7
Patterson Capital (Immed.)	3.7
IDS Fixed Income	3.7
Boston Co. Institutional	3.7
SLH G/C	**3.6**

1-year returns

	%
Philadelphia Invst.	10.5
Davidson, Garrard & Goode	9.9
Atlantic Port. Analytics (A)	9.9
Hoisington Invst.	9.5
STW Fixed Income (Short)	9.4
Patterson Capital (Immed.)	9.4
McKee Invst.	9.4
Reimer & Koger (Stable value)	9.3
Palm Beach Capital	9.3
Chemical Invst. (Money mkt.)	9.2
Pacific Invst. (Low duration)	9.1
Gabelli O'Connor (Act. cash mgmt.)	9.1
Analytic Invst. (Plus)	9.1
Cumberland Advisors (Plus cash)	9.0
Legg Mason Capital (Active)	9.0
Standish, Ayer & Wood (Con. risk)	9.0
Longfellow Invst. (Short. dur.)	9.0
Chandler & Chambless (Short)	8.9
Northern Invst. (Taxable)	8.9
Merganser Capital	8.8
Standish, Ayer & Wood (Act. core)	8.8
Analytic Invst. (Enhanced cash)	8.8
Marinvest	8.7
RCM Capital (Short term)	8.7
Peregrine Capital	8.7
Income Research (Enhanced cash)	8.7
Standish, Ayer & Wood (SA free)	8.6
Chase Invst. Counsel	8.6
Harris Invst. (Active)	8.6
Shelby County Government	8.5
NSR Asset Mgmt.	8.5
Brundage, Story and Rose	8.5
Criterion Invst. (Ltd. 2-5)	8.4
Patterson Capital (Ltd. mat.)	8.4
SLH G/C	**7.1**

5-year returns

	%
Bridgewater Asset (Act. dur.)	15.9
Huff Asset Mgmt.	14.3
McKee Invst.	14.1
STW Fixed Income	13.8
Hoisington Invst.	13.5
Waddell & Reed Asset	12.6
Ferguson & Wellman (Int. rate)	12.4
Denver Invst. (Long term)	12.4
Pacific Invst.	12.2
Loomis, Sayles	12.1
PRIMA (PRIMA X)	12.1
Signet Asset (Enhanced)	12.0
Washington Square (Broad)	11.9
Union Capital (Long term)	11.9
Standish, Ayer & Wood (Act. core)	11.8
Smith Affiliated Capital	11.8
Merrill Lynch (Int. rate anticip.)	11.7
Western Asset Mgmt. (Long term)	11.6
Wright Investor's Service	11.6
Analytic Invst.	11.4
J&W Seligman	11.4
Patterson Capital (Immed.)	11.4
Kemper Asset (Plus)	11.4
Harris Invst. (Active)	11.4
NWQ Invst. Mgmt.	11.4
Loomis, Sayles (Invst. grade)	11.4
SLH G/C	**10.3**

10-year returns

	%
Patterson Capital (Immed.)	16.9
Scheetz, Smith & Co.	15.0
Greenwich Asset Mgmt.	14.9
Smith Affiliated	14.8
STW Fixed Income (Long)	14.5
PRIMA (PRIMA X)	14.2
Western Asset (Long term)	14.2
Delta Financial (Quant)	13.8
Investment Advisors (And cash)	13.7
Loomis, Sayles	13.7
Wilmington Trust (Bench. 7 yr.)	13.7
Winrich Capital Mgmt.	13.7
Peters, Gamm, West & Vincent	13.6
Hoisington Invst.	13.5
Standish, Ayer & Wood (Act. core)	13.4
PRIMA (PRIMA VII)	13.4
Denver Invst. (Strat.)	13.3
SLH G/C	**11.6**

Top two deciles PIPER + balanced/TAA funds
3-month returns

	%
Provident Invst.	13.0
Cheswick Invst.	12.5
Harris Bretall Sullivan (Growth)	11.1
Beacon Invst.	10.0
Caldwell & Orkin	9.6
Brown Capital (Rel. value)	9.4
J&W Seligman	9.2
Chase Invst. Counsel	9.2
Turner Neill Invst. (Core)	9.0
Lincoln Capital	9.0
Fred Alger Mgmt.	8.9
Baring America Asset	8.7

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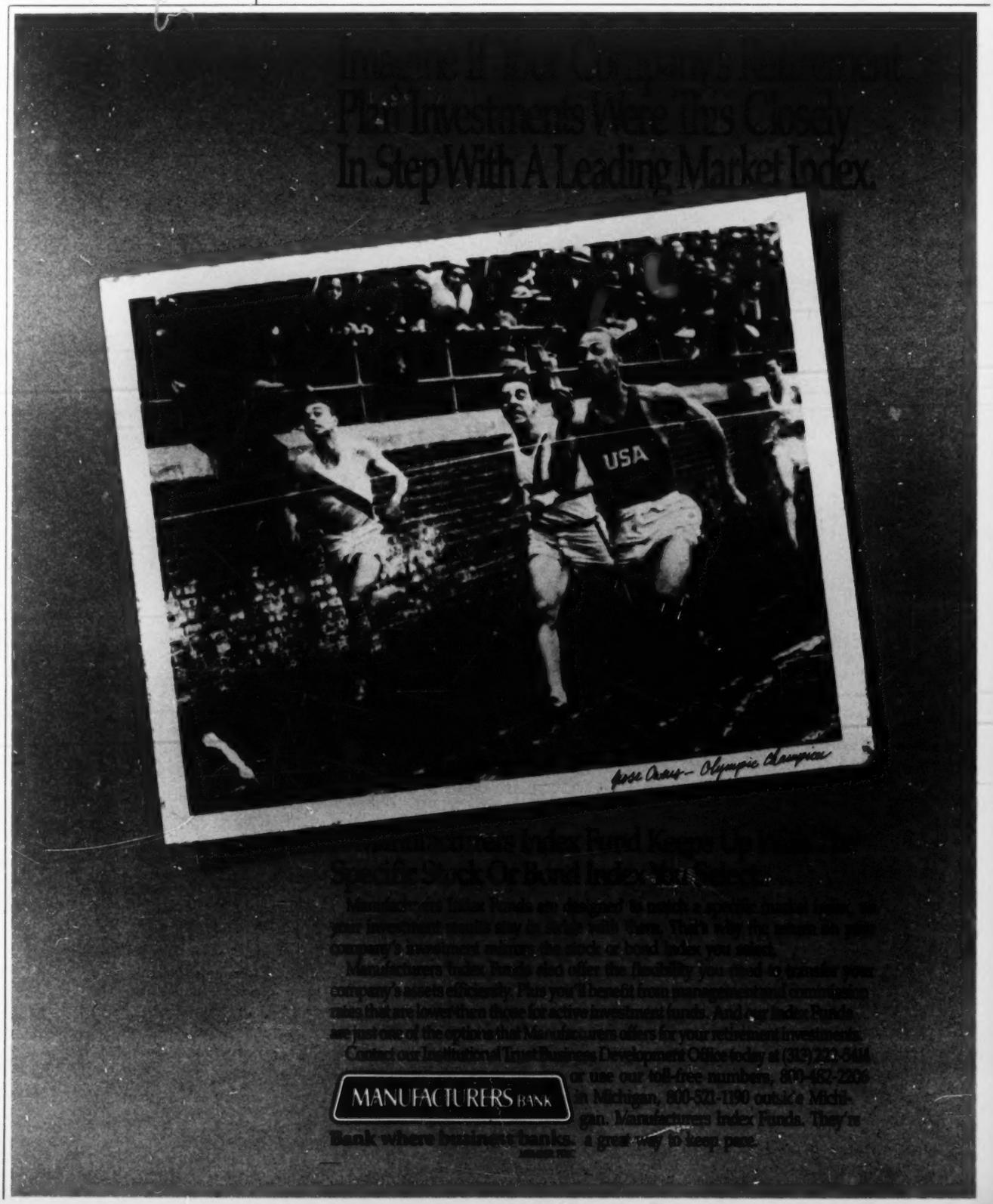
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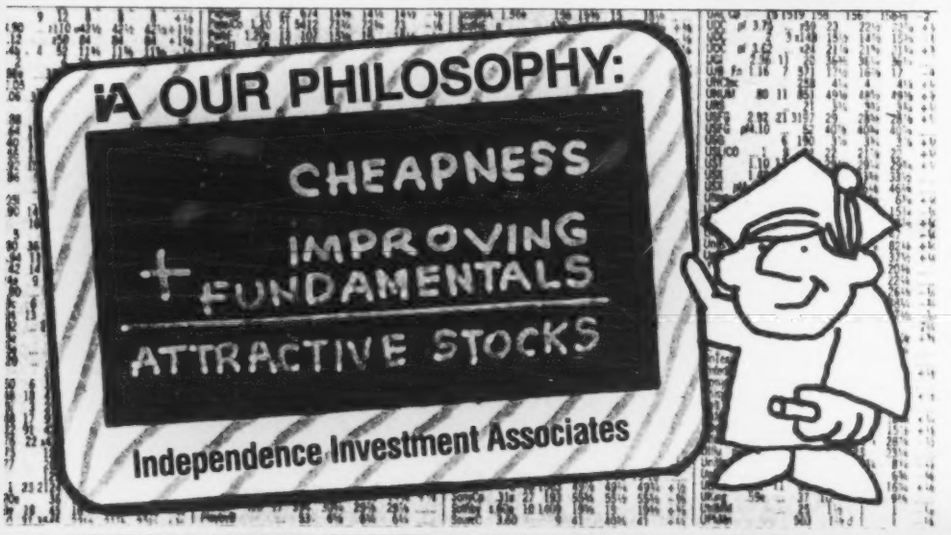


Value Line	8.1
Columbus Circle Investors	7.9
Denver Invst. Advisors	7.8
Beacon Capital (TAA)	7.7
Palm Beach Capital	7.7
Frontier Capital	7.5
Chancellor Capital (Stockshift 200)	7.4
Investment Advisors	7.4
Chancellor Capital (Stockshift 150)	7.4
Miller Anderson Sherrerd	7.3
Criterion Invst.	7.0
Investment Counselors	6.9
Northern Capital (Asset Alloc.)	6.9

1-year returns

	%
Provident Invst.	25.7
Harris Bretall Sullivan (Growth)	24.6
Cheswick Invst.	21.9
Baring America Asset	21.1
Lincoln Capital	21.0
Frontier Capital	20.6
Turner Neill Invst. (Core)	20.3
Oxford Capital	20.3
J&W Seligman	19.8
Chase Invst.	18.9
IDS Equity/Fixed Income	18.8
Fred Alger Mgmt.	18.6
IDS Trust (50/80)	18.4
Caldwell & Orkin	17.8
Columbus Circle Investors	17.1
Value Line	16.5
Palm Beach Capital	16.5
Bankers Trust (TAA act. mgd.)	16.0
Beacon Invst.	15.9
Rainier Invst.	15.5
Institutional Capital	15.4
Starbuck, Tisdale & Assoc.	15.1
Denver Invst. Advisors	14.8
IDS Trust (35/65)	14.8
Investment Advisors	14.6

5-year returns

	%
Oxford Capital	25.1
Chancellor Capital (Stockshift 200)	23.6
First Quandrant (Tactical)	21.0
Institutional Capital	19.7
TSA Capital (Strat. TAA)	18.8
Turner Neill Invst. (Core)	18.6
Bankers Trust (TAA act. mgd.)	18.5
Investment Counselors	18.0
Provident Invst.	17.9
BRS Capital (TAA)	17.8
Jurika & Voyles	17.7
Columbus Circle Investors	17.6
Lincoln Capital	17.4
Beacon Capital (TAA)	17.1
Chancellor Capital (Assetshift 65)	16.9
Mellon Equity (Quant)	16.9
Caldwell & Orkin	16.8
Brinson Partners (Global)	16.8
TSA Capital (50/50)	16.5
IDS Equity/Fixed Income	16.3
IDS Trust (50/80)	16.3
JP Morgan Invst. (TAA)	16.3

10-year returns

	%
BRS Capital (TAA)	23.7
First Quadrant (Tactical)	23.2
Mellon Capital (3-way asset alloc.)	19.9
TSA Capital (Strat. TAA)	19.8
Caldwell & Orkin	19.5
Chancellor Capital (Assetshift 65)	19.4
Provident Invst.	19.3
First Bank of Milwaukee	19.0
Columbus Circle	18.8
Davenport & Co. of Va.	18.6
Investment Counselors	18.4
JP Morgan (TAA)	18.3
Wells Fargo Invst. (Three-way)	18.0
Fidelity Mgmt.	17.8

Top two deciles PIPER + special equity funds

3-month returns

	%
Axe Houghton (Emerg. growth)	12.6
Brinson Partners (Post venture)	12.5
RTA Mgmt. (Hedge)	12.2
Pacific Century (Aggressive)	11.7
Froley, Revy Invst.	7.6
Cramer Rosenthal McGlynn	7.3
S&P 500	**6.3**
Russell 2000	**3.9**

1-year returns

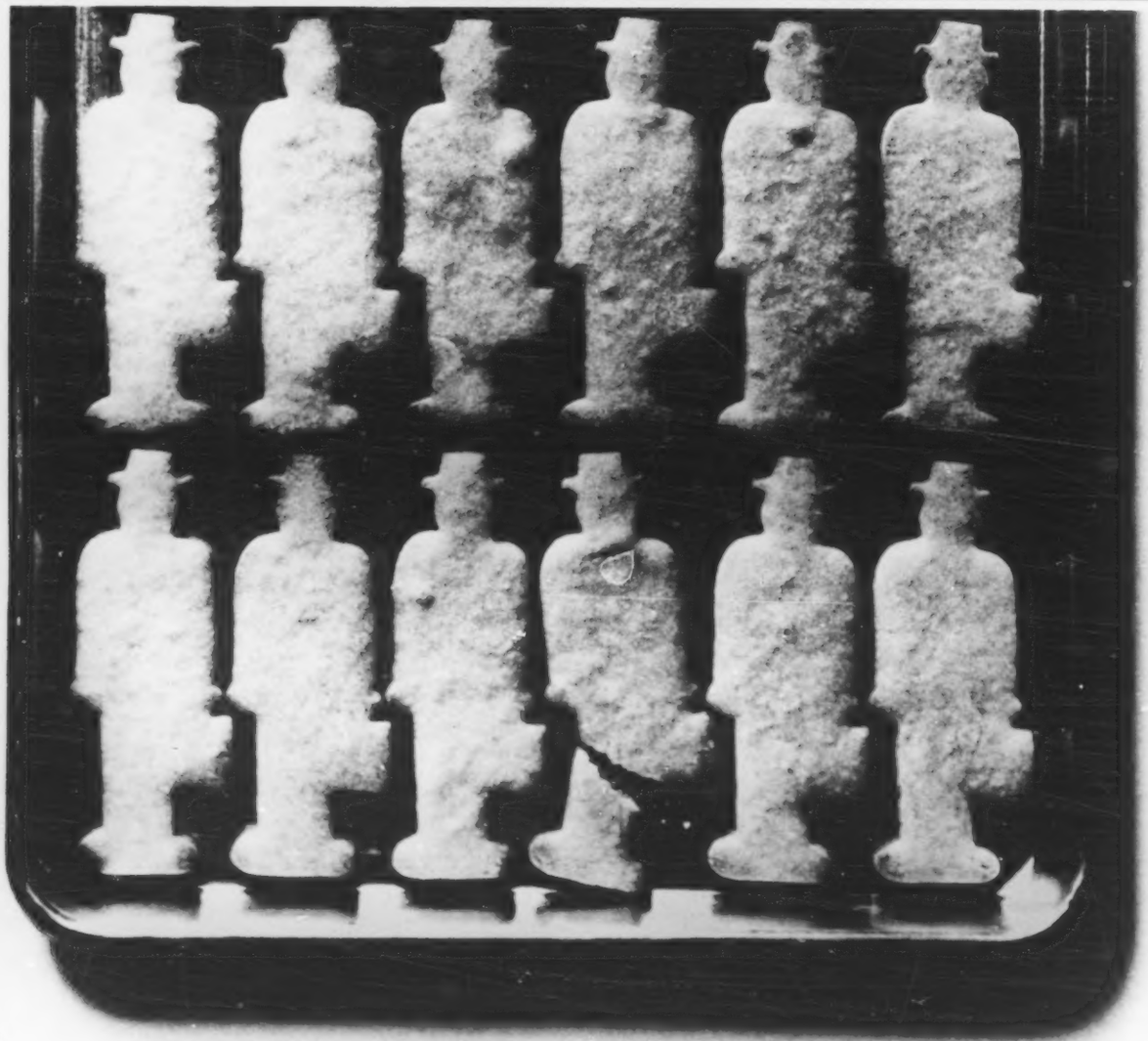
	%
Feshbach Bros. (Southgate)	44.4
RTA Mgmt. (Hedge)	43.6
Axe Houghton (Emerg. growth)	28.0
MPT Assoc. (Agg. growth)	26.0
Pacific Century (Aggressive)	19.1
Brinson Partners (Post venture)	18.1
S&P 500	**16.5**
Russell 2000	**3.0**

5-year returns

	%
Feshbach Bros. (Southgate)	32.8
Cramer Rosenthal McGlynn	17.8
S&P 500	**17.3**
W.H. Reaves (Utility/energy)	16.7
Axe Houghton (Emerg. growth)	15.7
MPT Assoc. (Agg. growth)	15.7
Russell 2000	**9.6**

10-year returns

	%
Cramer Rosenthal McGlynn	22.6
IDC Portfolio (Utility)	17.5
S&P 500	**16.9**
Axe Houghton (Emerg. growth)	15.4
Russell 2000	**14.2**



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Top two deciles PIPER + global equity funds

3-month returns

	%
S Int'l	11.0
dinburgh-Wilmington Int'l	10.3
ewart, Ivory (RCB Stewart)	10.3
redit Suisse Asset	10.2
enderson Admin.	10.1
SCI World	**8.2**
TA World	**7.4**

1-year returns

	%
TA World	**34.1**
S Int'l	33.0
redit Suisse Asset	28.9
ewart, Ivory (RCB Stewart)	24.6
urgess Capital	23.9
T. Capital	23.6
SCI World	**7.7**

5-year returns

	%
orldInvest	32.2
TA World	**27.9**
ewart, Ivory (RCB Stewart)	26.7
redit Suisse Asset	26.2
S Int'l	26.1
SCI World	**22.2**

10-year returns

	%
urgess Capital	24.6
SCI World	**17.7**

Top two deciles PIPER + international equity funds

3-month returns

	%
ctet Int'l (Pos. val. unconstr.)	14.1
ctet Int'l (Avg. risk)	13.0
owe Price-Fleming (Discovery)	12.3
lton, Read Int'l (EAFE)	11.9
cific Financial	11.4
tnam Cos.	10.8
CB Int'l	10.6
edit Suisse Asset (EAFE)	10.6
enderson Admin. (EAFE)	10.5
atmen's Trust (W)	10.5
einwort Benson (ERISA)	10.4
ellington Trust (Emerging)	10.3
dicorp Invst.	10.2
SCI EAFE	**9.6**
TA Europe & Pacific	**8.5**

1-year returns

	%
owe Price-Fleming (Discovery)	47.2
TA Europe & Pacific	**39.5**
illie Gifford (NCNB Texas)	36.3
organ Stanley (S. Butt/EAFE)	35.4
lton, Read Int'l (EAFE)	31.1
ellington Trust (Emerging)	31.1
CB Int'l	31.0
zard Freres	30.4
tnam Cos.	30.1
mpleton Invst.	29.4
delity Mgmt. (Overseas)	29.1
obe Finlay (EAFE)	28.9
antham Mayo v. Otterloo	28.6
SCI EAFE	**3.5**

5-year returns

	%
ctet Int'l (Pos. val. unconstr.)	61.7
organ Stanley (S. Butt/EAFE)	37.5
TA Europe & Pacific	**37.1**
oridInvest (IPEF)	34.4
chsle Advisors (Core plus)	33.8
ovident Capital (Low p/e)	33.1
obe Finlay (EAFE)	32.4
udder Stevens & Clark	32.2
) Int'l	31.9
antham Mayo v. Otterloo	31.6
SCI EAFE	**29.0**

10-year returns

	%
cific Financial	24.5
chsle Int'l (Core plus)	23.5
T. Capital (EAFE)	22.0
SCI EAFE	**19.7**

Top two deciles PIPER commingled equity funds

3-month returns

	%
Shearson Trust (EF7), Del.	17.9
The New England (Sep. cap. gro.)	14.5
Commerce Bank, Mo.	14.4
IDS Trust (Core growth), Minn.	14.2
Chancellor (Select growth)	14.1
Chancellor (Growth)	13.8
Bank of Delaware (VIP)	13.0
Chancellor (Styleshift)	12.7
Princeton Bank, N.J.	12.6
Commercial Cap. (Sp. gro.), Ark.	12.5
First Nat'l of Tulsa, Okla.	12.4
Lincoln Nat'l (Select), Ind.	12.1
Aetna Life (SA-2), Conn.	11.9
American Nat'l, Ind.	11.9
First Trust, Colo.	11.6
Commercial Cap., Ark.	11.3
Mark Twain Bank, Mo.	11.3
Sanwa Bank (D), Calif.	11.2

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New York Life (S.A. 1)	11.2
First Security Nat'l (D), Ky.	11.1
Fifth Third Bank-Toledo, Ohio	11.1
Southeast Bank, Fla.	11.0
First Wisconsin Asset (Growth A)	10.9
Bank One Wisconsin (Growth)	10.7
Metropolitan Life (S.A. 40), N.Y.	10.7
Manufacturer Affil. (Growth), Ill.	10.5
Manufacturers Detroit (E)	10.5
Pacific Financial (Cap. app.)	10.5
Merus Capital (Sp. gro.), Calif.	10.5
Sovran Bank/Cen. South (Gro.)	10.4
Chancellor (Indexplus)	10.3
First of America (Sm. cap. value)	10.3
First Illinois (Corp.)	10.2
American Nat'l (Growth), Ind.	10.1
Northern States, Ill.	10.1
Wellington Trust (Div. gro.), Mass.	10.0
Mercantile Bank-Joplin (Gro. C)	10.0
FirsTier Bank-Omaha, Neb.	10.0
NCNB Corp., N.C.	9.8
Sentry Equity (S.A. B), Wis.	9.7
CoreStates (Growth), Pa.	9.7
Sun Bank, Fla.	9.3
Chancellor (Multifact)	9.3
First Illinois (Personal)	9.3
Southtrust Bank, Ala.	9.2
Merchants Nat'l (I), Ind.	9.2
Merchants Nat'l (2), Ind.	9.1
NCNB Corp. (Growth), N.C.	9.1
Penn Mutual (S.A. A), Pa.	9.1
Sentry Equity (S.A. A), Wis.	9.0
State Street Bank, Mass.	9.0
First Kentucky	9.0
The Phoenix (Growth S), Conn.	9.0
Citizens Fidelity (E), Ky.	9.0
Texas Commerce (Growth)	8.9
S&P 500	**6.3**

1-year returns

	%
Shearson Trust (EF7), Del.	41.0
Princeton Bank, N.J.	37.8
Chancellor (Select growth)	36.3
Commercial Cap. (Sp. gro.), Ark.	33.2
Chancellor (Styleshift)	32.7
Lincoln Nat'l (Select), Ind.	31.2
IDS Trust (Core growth), Minn.	30.9
First of America (Sm. cap. value)	29.6
Bank One Wisconsin (Growth)	29.3
Chancellor (Growth)	28.7
Aetna Life (SA-2), Conn.	27.9
Mark Twain Bank, Mo.	27.0
Commerce Bank, Mo.	26.6
First City Texas-Houston (A/1)	25.7
Riggs Nat'l Bank, D.C.	25.5
Southeast Bank, Fla.	24.8
First Kentucky Trust	24.6
Merchants Nat'l (I), Ind.	24.5
First Trust, Colo.	24.5
Mercantile Bank-Joplin (Gro. C)	24.3
Summit Trust, N.J.	24.2
Sun Bank, Fla.	24.2
Bank of Delaware (VIP)	24.2
The New England (Sep. cap. gro.)	23.9
The Phoenix (Growth S), Conn.	23.8
CoreStates (Growth), Pa.	23.7
Chancellor (Indexplus)	23.7
Hibernia Nat'l (A), La.	23.6
First Wisconsin Asset (Growth A)	23.5
IDS Trust, Minn.	23.2
Merchants Nat'l (2), Ind.	23.2
State Street Bank, Mass.	23.1
PW Trust (Growth/value), N.J.	22.9
American Nat'l Bank, Ind.	22.8
State Street Bank (Matrix syn.)	22.7
John Hancock (Divers. 1K), Mass.	22.6
Chicago Title & Trust	22.5
New York Life (S.A. 1)	22.5
NCNB Corp., N.C.	22.4
Southtrust Bank, Ala.	22.2
Beverly Trust, Ill.	22.1
Planters Nat'l (Growth), N.C.	22.1
Commercial Cap., Ark.	22.0
Wheeling Dollar Bank, W.Va.	21.9
Great West (VAAA), Manitoba	21.7
First Security Nat'l (D), Ky.	21.5
BancOklahoma Trust	21.4
Assoc. Manitowoc, Wis.	21.4
Metropolitan Life (SA 40)	21.4
NBD Trust, Ill.	21.3
Wheeling Dollar Bank (B), W.Va.	21.2
FirsTier Bank-Lincoln, Neb.	21.1
Mercantile Bank, Mo.	21.1
Mutual of New York (Growth)	20.7
S&P 500	**16.5**

5-year returns

	%
Sun Bank, Fla.	24.2

Top PIPER equity funds by size

1-year returns

Over $100 million

	%
Chancellor (Growth), N.Y.	28.7
Aetna Life (SA-2), Conn.	27.9
Sun Bank, Fla.	24.2
The New England (Sep. gro.)	23.9
The Phoenix (Gro. S), Conn.	23.8
CoreStates (Growth), Pa.	23.7
First Wisconsin Asset (Gro. A)	23.5
IDS Trust, Minn.	23.2
John Hancock (Div. 1K)	22.6
Chicago Title & Trust	22.5

$50 million to $100 million

	%
Chancellor (Styleshift), N.Y.	32.7
Lincoln Nat'l (Select), Ind.	31.2
First of America (Sm. cap. val.)	29.6
Commerce Bank, Mo.	26.6
Chancellor (Indexplus), N.Y.	23.7
Hibernia Nat'l (A), La.	23.6
State Street Bank, Mass.	23.1
State Street Bank (Mat. syn.)	22.7
BancOklahoma Trust	21.4
Connecticut Mutual	19.7

$10 million to $50 million

	%
Princeton Bank, N.J.	37.8
Chancellor (Sel. growth)	36.3
Bank One Wisconsin (Growth)	29.3
Mark Twain Bank, Mo.	27.0
First City Texas/Houston (A/1)	25.7
Riggs Nat'l Bank, D.C.	25.5
Southeast Bank, Fla.	24.8
First Kentucky Trust	24.6
Merchants Nat'l (I), Ind.	24.5
First Trust, Colo.	24.5

Under $10 million

	%
Shearson Trust (EF7), Del.	41.0
Commercial Cap. (Sp. gro.)	33.2
IDS Trust (Core growth), Minn.	30.9
Mercantile Bk.-Joplin (Gro. C)	24.3
Merchants Nat'l (2), Ind.	23.2
PW Trust (Growth/value), N.J.	22.9
American Nat'l Bank, Ind.	22.8
Planters Nat'l (Growth), N.C.	22.1
Wheeling Dollar Bank, W. Va.	21.9
Great West (VAAA), Manitoba	21.7

10-year returns

Over $100 million

	%
Sun Bank, Fla.	25.4
The New England (Sep. gro.)	20.0
First Union Nat'l, N.C.	20.0
Provident Mutual (S.A. 1), Pa.	19.8
Manufacturers Life, Ontario	19.5
Manufacturer Affil. (Gro.), Ill.	19.4
Manufacturers Detroit (E)	19.4
Merus Capital (Inc.), Calif.	19.4
Chancellor (Value), N.Y.	19.0
Union Labor Life (S.A. A), D.C.	18.7

$50 million to $100 million

	%
Connecticut Mutual	19.7
U.S. Nat'l Bank, Texas	19.4
State Street Bank, Mass.	19.4
First Nat'l of Omaha (D), Neb.	18.6
Assoc. Bank-Neenah, Wis.	18.5
Merus Capital (Gro. plus)	18.4
Colorado Nat'l Bank	18.2
Dominion Capital (Corp.), Va.	17.6
Dauphin Deposit (Corp.), Pa.	17.6
AmSouth, Ala.	17.4

$10 million to $50 million

	%
Pacific Financial (Cap. app.)	25.2
First Fidelity (Sel. val.), N.J.	20.6
First Nat'l-Amarillo, Texas	20.4
Pacific Financial (Div. low p/e)	19.4
First Interstate of Oklahoma	19.1
Wheeling Dollar (B), W. Va.	19.0
United Capital, Colo.	18.9
Lake Shore Nat'l, Ill.	18.8
Guardian Ins. (V.A. 1), N.Y.	18.7
First Trust, Colo.	18.6

Under $10 million

	%
First N.H. invst. (A)	19.7
Assoc. Manitowoc, Wis.	18.0
Wheeling Dollar Bank, W. Va.	17.9
Merchants Nat'l (2), Ind.	17.4
Pioneer Bank, Ill.	16.8
Second Nat'l Bank (Gro.), Ohio	16.7
Great West (VAAA), Manitoba	15.8
Planters Nat'l (Growth), N.C.	15.2

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Shearson Trust (EF7), Del.	23.8
Chancellor (Select growth)	23.5
Bank One-Indianapolis (L)	22.6
State Street Bank (Matrix syn.)	21.7
Pacific Financial (Cap. apprec.)	21.6
IDS Trust (Core growth), Minn.	21.4
Pacific Financial (Income), Calif.	20.7
South Carolina Nat'l	20.3
State Bank (C), Ohio	20.3
State Street Bank, Mass.	20.0
First Nat'l-Amarillo, Texas	19.9
Assoc. Manitowoc, Wis.	19.4
John Hancock (Divers. 1K), Mass	19.2
Southtrust Bank, Ala.	19.1
Assoc. Bank-Neenah, Wis.	19.1
First Illinois (Corp.)	19.0
Bank One Wisconsin (Growth)	19.0
Chancellor (Indexplus)	19.0
Wheeling Dollar Bank (B), W. Va.	19.0
NCNB Corp., N.C.	18.8
Bank of New York	18.8
Chancellor (Growth)	18.5
IDS Trust, Minn.	18.5
First Illinois (Personal)	18.5
FirsTier Bank-Omaha, Neb.	18.4
Connecticut Mutual	18.4
Valley Nat'l (I), Ariz.	18.4
Meridian, Pa.	18.3
Assoc. Bank-Neenah (I), Wis.	18.3
Chase-CMB (Stk. & futures), N.Y.	18.1
First Fidelity, N.J.	17.9
Bank One Wisconsin (Disc.)	17.9
First Security Nat'l (D), Ky.	17.8
Wellington Trust (Divers. growth)	17.8
CREF, N.Y.	17.7
Shearson Trust (EF4), Del.	17.7
FirsTier Bank-Lincoln, Neb.	17.6
Mercantile Bank-Joplin (Gro. C)	17.6
Shawmut Bank, Mass.	17.6
First Fidelity (Sel. value), N.J.	17.5
Travelers (S.A. 500), Conn.	17.5
Summit Trust, N.J.	17.5
Markston Invst., N.Y.	17.5
The Phoenix, Conn.	17.4
Bankers Trust (Index), N.Y.	17.4
S&P 500	**17.3**

10-year returns

	%
Sun Bank, Fla.	25.4
Pacific Financial (Cap. app.)	25.2
First Fidelity (Select value), N.J.	20.6
First Nat'l-Amarillo, Texas	20.4
The New England (Sep. cap. gro.)	20.0
First Union Nat'l, N.C.	20.0
Provident Mutual (S.A. 1), Pa.	19.8
First NH Invst. (A)	19.7
Connecticut Mutual	19.7
Manufacturers Life, Ontario	19.5
Manufacturer Affil. (Growth), Ill.	19.4
Manufacturers Detroit (E)	19.4
Pacific Financial (Divers. low p/e)	19.4
U.S. Nat'l Bank, Texas	19.4
Merus Capital (Income), Calif.	19.4
State Street Bank, Mass.	19.4
First Interstate of Oklahoma	19.1
Chancellor (Value)	19.0
Wheeling Dollar Bank (B), W. Va.	19.0
United Capital, Colo.	18.9
Lake Shore Nat'l, Ill.	18.8
Union Labor Life (S.A. A), D.C.	18.7
Guardian Insurance (V.A. 1), N.Y.	18.7
Markston Invst., N.Y.	18.6
First of Omaha (D), Neb.	18.6
First Trust, Colo.	18.6
Assoc. Bank-Neenah, Wis.	18.5
MTrust (Growth), Texas	18.4
Merus Capital (Growth plus), Calif.	18.4
Aliac (Variable), Conn.	18.3
First Security Nat'l (D), Ky.	18.3
Colorado Nat'l Bank	18.2
John Hancock (Divers. 1K), Mass.	18.1
Bank of New York	18.0
S&P 500	**16.9**

Top two deciles PIPER commingled fixed-income funds

3-month returns

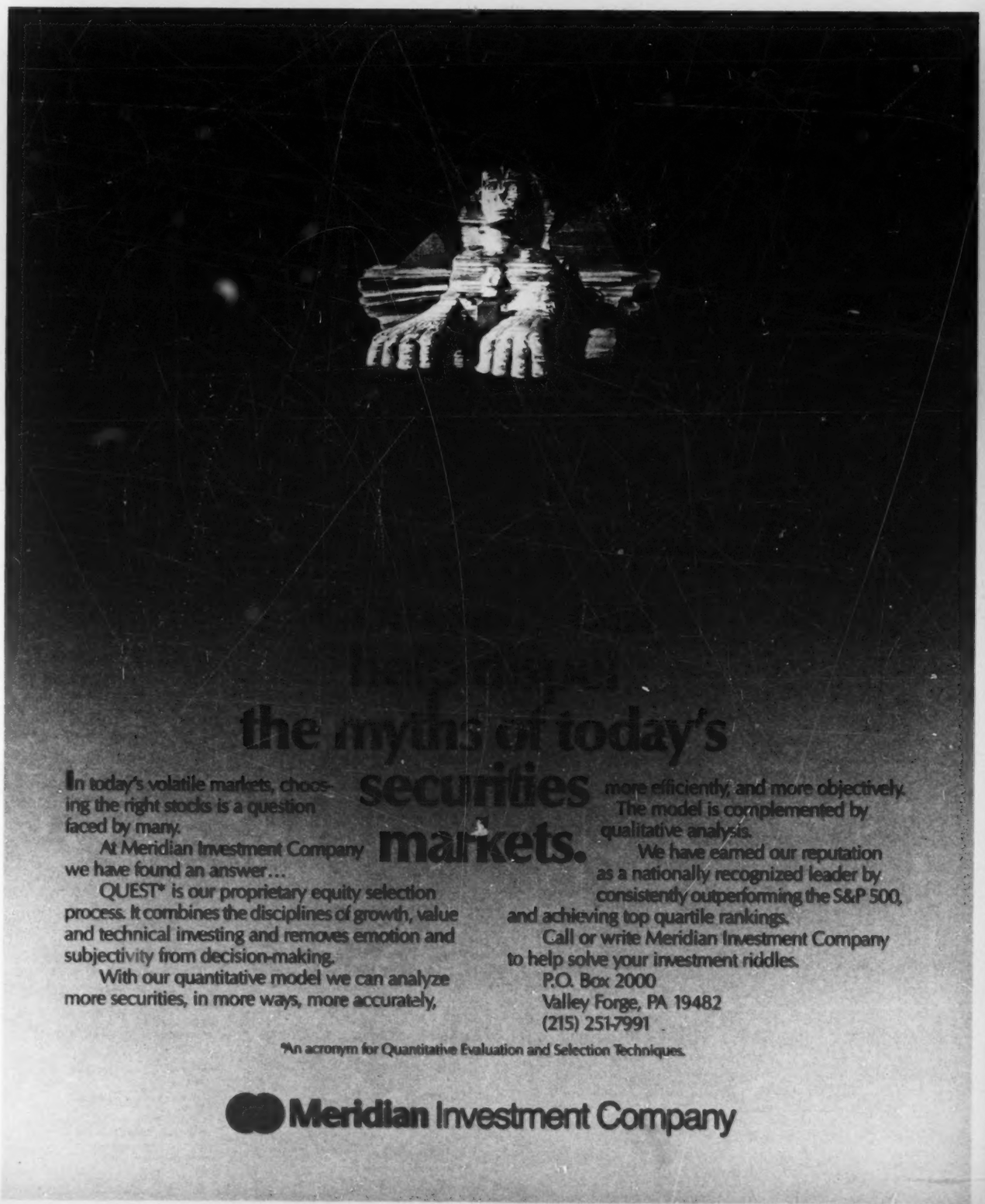
	%
Boatmen's Trust (F), Mo.	5.3
Mercantile Bank-Joplin (F), Mo.	4.9
First Variable Life (H.Q.), Ark.	4.9
Second Nat'l Bank, Ohio	4.8
Connecticut Mutual (Convert.)	4.4
Life of Virginia	4.4
First Union Nat'l (1), N.C.	4.3
Prudential Realty (Long), N.J.	4.3
Transamerica Life (SA T-2), Calif.	4.3
Keystone Invst. (Convert.), Pa.	4.3
Lincoln Nat'l Invst. (Long), Ind.	4.3
AmSouth (Bond), Ala.	4.2
Trust Co./West (High yield), Calif.	4.2
Chancellor (Mtg. sec.), N.Y.	4.1
Chase-CMB (Long term), N.Y.	4.1
John Hancock (1D), Mass.	4.1
U.S. Trust Co. of New York	3.9
Metropolitan Life (SA 41), N.Y.	3.9
Chase-CMB (Sec. mtg.), N.Y.	3.9
Crown Life (U.S.), Ontario	3.9
NCNB Corp. (Long term), N.C.	3.8
First Interstate Oregon	3.8
Ameritrust (GNMA), Ohio	3.8
Connecticut Bank	3.8
Harris Trust, Ill.	3.8
The Principal, Iowa	3.7
Bankers Trust (Mtg. pass.), N.Y.	3.7
Mercantile Bank, Mo.	3.7
First Tennessee Invst.	3.7
Morgan Guaranty, N.Y.	3.7
BancOklahoma Trust	3.7
Bankers Trust (A), N.Y.	3.7
New York Life (SA 8)	3.7
Massachusetts Mutual	3.7
Bank of New York	3.6
First Asset Mgmt. (II), Minn.	3.6
Dominion Trust (Rel. value), Va.	3.6
Aetna Life (Inc. shares), Conn.	3.6
SLH G/C	**3.6**
Travelers Cos. (SA P), Conn.	3.6
Aetna Life (SA 76), Conn.	3.6
Wells Fargo (Index), Calif.	3.6
NCNB Corp., N.C.	3.6
IDS Trust (A), Minn.	3.6
Shawmut Bank, Mass.	3.6
Chancellor, N.Y.	3.6
Union Labor Life (SA G), D.C.	3.6
Riggs Nat'l Bank, D.C.	3.5
Connecticut Nat'l Bank	3.5
Mercantile Safe, Md.	3.5
Travelers Cos. (Index), Conn.	3.5
Bank of New York	3.5

1-year returns

	%
Mercantile Bank-Joplin (F), Mo.	17.1
Sanwa Bank (C), Calif.	10.6
General American (SA 6), Mo.	10.5
First Florida Bank	10.5
SW Nat'l Bank of Pa.	10.0
Chancellor (Mtg. sec.), N.Y.	10.0
Jefferson Trust, Ill.	9.8
Bankers Trust (Mtg. pass.), N.Y.	9.5
Mercantile Safe (Inter.), Md.	9.5
MTrust, Texas	9.3
Chancellor (Inter.), N.Y.	9.3
Dominion Trust (Stable cap. B)	9.2
First Nat'l of Maryland	9.2
Second Nat'l Bank, Ohio	9.1
IDS Trust (GIC), Minn.	9.1
First Nat'l-Amarillo (Inter.), Texas	9.0
Chase-CMB (Sec. mtg.), N.Y.	9.0
IDS Trust (Cash mgmt.), Minn.	9.0
Dauphin Deposit (Short term), Pa.	8.9
Hawaiian Trust (Defensive)	8.9
Wellington Trust (Inter.), Mass.	8.9
Ameritrust (GNMA), Ohio	8.9
Aetna Life (Inc. shares), Conn.	8.9
Bankers Trust (B), N.Y.	8.8
Signet Trust (Stable value), Va.	8.8
AmSouth (Ltd. mat.), Ala.	8.8
Central Fidelity (Short term), Va.	8.8
Central Fidelity (Cap. pres.), Va.	8.8
Bankers Trust (Govt./agency)	8.8
Chase-CMB (Short-inter.), N.Y.	8.7
First Variable Life (H.Q.), Ark.	8.7
Prudential Realty (VCA 8), N.J.	8.6
Wheeling Dollar Bank, W. Va.	8.6
Commerce Bank (Cap. pres.), Mo.	8.6
Assoc. Kellogg, Wis.	8.6
Bank One Wisconsin (Inter.)	8.6
Union Labor Life (SA G), D.C.	8.6
Continental Capital (Inter.), Ill.	8.6
Connecticut Mutual (Convert.)	8.6
Marine Midland, N.Y.	8.5
Ameritrust (Reserve), Ohio	8.5
The Principal, Iowa	8.5
Gary Wheaton Bank, Ill.	8.4
Crown Life (U.S.), Ontario	8.4
Valley Fidelity, Tenn.	8.4
First NH Invst. (B)	8.4
Old Second Nat'l (HR 10), Ill.	8.4
Home Life, N.Y.	8.4
First Alabama Bank	8.4
SLH G/C	**7.1**

5-year returns

	%
Meridan, Pa.	13.5
Transamerica Life (SA T-2), Calif.	13.0
Equitable Capital (No. 5), N.Y.	13.0
Boatmen's Trust (F), Mo.	12.9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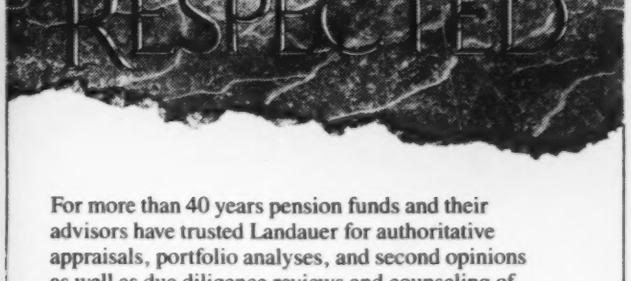

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Top PIPER fixed-income funds by size

1-year returns

Over $100 million

	%
Bankers Trust (Mtg. pass.)	9.5
Dominion Trust (Stable cap. B)	9.2
IDS Trust (GIC), Minn.	9.1
Chase-CMB (Sec. mgt.), N.Y.	9.0
IDS Trust (Cash mgmt.), Minn.	9.0
Hawaiian Trust (Defensive)	8.9
Aetna Life (Inc. shares), Conn.	8.9
Signet Trust (Stable val.), Va.	8.8
Bankers Trust (Govt./agency)	8.8
Chase-CMB (Short-Inter), N.Y.	8.7

$50 million to $100 million

	%
General American (SA 6), Mo.	10.5
Chancellor (Mtg. sec.), N.Y.	9.9
Mercantile Safe (Inter.), Md.	9.5
Chancellor (Inter.), N.Y.	9.3
Bankers Trust (B), N.Y.	8.8
Commerce Bank (Cap. pres.)	8.6
Bank One Wisconsin (Inter.)	8.6
Union Labor Life (SA G), D.C.	8.6
Continental Capital (Inter.), Ill.	8.6
Harris Trust (Gain), Ill.	8.2

$10 million to $50 million

	%
Sanwa Bank (C), Calif.	10.6
First Florida Bank	10.5
Jefferson Trust, Ill.	9.8
MTrust, Texas	9.3
First Nat'l of Maryland	9.2
Dauphin Deposit (Short), Pa.	8.9
Wellington Trust (Inter.), Mass.	8.9
Ameritrust (GNMA), Ohio	8.9
AmSouth (Ltd. mat.), Ala.	8.8
Central Fidelity (Cap. pres.), Va.	8.8

Under $10 million

	%
Mercantile Bank-Joplin (F)	17.1
SW Nat'l Bank of Pa.	10.0
Second Nat'l Bank, Ohio	9.1
First Nat'l-Amarillo (Inter.)	9.0
Central Fidelity (Short), Va.	8.8
First Variable Life (H.Q.), Ark.	8.7
First NH Invst. (B)	8.4
Old Second Nat'l (HR 10), Ill.	8.4
Home Life, N.Y.	8.4
First Nat'l of Tulsa, Okla.	8.3

10-year returns

Over $100 million

	%
Boatmen's Trust (F), Mo.	13.7
Sovran Capital (Inst.), Va.	13.5
First Kentucky Trust	13.0
ASB Capital Mgmt., D.C.	12.7
Pacific Financial, Calif.	12.6
Marine Midland, N.Y.	12.6
Prudential Realty (Privest)	12.3
Aetna Life (Inc. shares), Conn.	12.2
Bankers Trust (A), N.Y.	12.1
Mellon Bond, Pa.	12.1

$50 million to $100 million

	%
United Capital Mgmt., Colo.	13.2
Life of Virginia	12.9
Travelers Cos. (SA D), Conn.	11.9
Texas Commerce (Act. mgd.)	11.4
Liberty Nat'l, Ky.	11.4
Chancellor (Inter.), N.Y.	11.3
C&S Trust Florida	11.3
Bankers Trust (B), N.Y.	11.2
First Fidelity (Inter.), N.J.	11.0
Bank One Wisconsin (Inter.)	11.0

$10 million to $50 million

	%
Meridian, Pa.	14.3
Beverly Trust, Ill.	13.5
IAA Trust (B), Ill.	12.9
Sanwa Bank (C), Calif.	12.8
First Interstate/Calif. (Mgd.)	12.7
First Nat'l-Amarillo,	12.6
First Interstate/Ariz.	12.3
Assoc. Manitowoc (High), Wis.	12.1
Central Fidelity (Mgd.), Va.	12.1
First Nat'l of Maryland	12.0

Under $10 million

	%
First Variable Life, Ark.	13.7
Connecticut Nat'l Bank	12.6
Morgan Guaranty, N.Y.	12.4
Second Nat'l Bank, Ohio	12.1
Valley Nat'l (II), Ariz.	11.2
Oregon Bank	11.2
First Midwest, Moline, Ill.	11.2
First Variable Life (H.Q.), Ark.	11.1
First Trust, Colo.	11.0
United Capital Mgmt., Colo.	12.6
Prudential Realty (Long), N.J.	12.5
Beverly Trust, Ill.	12.4
First Variable Life, Ark.	12.3
The Principal, Iowa	12.2
Chase-CMB (Long term), N.Y.	12.2
General American (SA 9), Mo.	12.1
IAA Trust (B), Ill.	11.7
First Nat'l-Amarillo, Texas	11.7
Bankers Trust (Mtg. pass), N.Y.	11.5
General American (SA 6), Mo.	11.5
LaSalle Nat'l (Govt. corp), Ill.	11.5
Connecticut Nat'l Bank	11.5
Morgan Guaranty, N.Y.	11.4
Metropolitan Life (SA 41), N.Y.	11.4
Pacific Financial, Calif.	11.4
Harris Trust, Ill.	11.3
Crown Life (U.S.), Ontario	11.3
CoreStates Invst., Pa.	11.3
Sanwa Bank (C), Calif.	11.2
First Kentucky Trust	11.2
Sovran Capital (Inst.), Va.	11.2
Aetna Life (Inc. shares), Conn.	11.2
First Interstate/Calif. (Mgd.)	11.2
ASB Capital Mgmt., D.C.	11.1
Travelers Cos. (SA P), Conn.	11.1
First Interstate/Ariz.	11.0
Marine Midland, N.Y.	11.0
Connecticut Nat'l Bank (Inter.)	11.0
Society Nat'l, Ohio	11.0
First Wachovia, N.C.	10.9
Shawmut Bank, Mass.	10.9
Prudential Realty (Privest), N.J.	10.8
Continental Capital Mgmt., Ill.	10.8
NCNB Corp. (Long term), N.C.	10.8
First Variable Life (H.Q.), Ark.	10.7
Comerica, Mich.	10.7
Wellington Trust (Enhanced)	10.7
Colorado Nat'l Bank	10.7
Bessemer Trust, N.Y.	10.7
SLH G/C	**10.3**

10-year returns

	%
Meridian, Pa.	14.3
Boatmen's Trust (F), Mo.	13.7
First Variable Life, Ark.	13.7
Beverly Trust, Ill.	13.5
Sovran Capital (Inst.), Va.	13.5
United Capital Mgmt., Colo.	13.2
First Kentucky Trust	13.0
Life of Virginia	12.9
IAA Trust (B), Ill.	12.9
Sanwa Bank (C), Calif.	12.8
ASB Capital Mgmt., D.C.	12.7
First Interstate/Calif. (Mgd.)	12.7
Connecticut Nat'l Bank	12.6
First Nat'l-Amarillo, Texas	12.6
Pacific Financial, Calif.	12.6
Marine Midland, N.Y.	12.6
Morgan Guaranty, N.Y.	12.4
Prudential Realty (Privest), N.J.	12.3
First Interstate/Ariz.	12.3
Aetna Life (Inc. shares), Conn.	12.2
Assoc. Manitowoc (High), Wis.	12.1
Central Fidelity (Mgd.), Va.	12.1
Bankers Trust (A), N.Y.	12.1
Mellon Bond, Pa.	12.1
Second Nat'l Bank, Ohio	12.1
First Nat'l of Maryland	12.0
Society Nat'l, Ohio	12.0
Bankers Trust (Mtg. pass.), N.Y.	12.0
Travelers Cos. (SA D), Conn.	11.9
Cullen Bank, Texas	11.9
SLH G/C	**11.6**

Top two deciles PIPER special equity funds

3-month returns

	%
Chancellor (Emerg. health)	17.0
Equitable Capital (Sp. gro. 3)	13.7
Bessemer Trust (Emerg. gro.)	13.4
PW Trust (Agg.),N.J.	13.3
Chancellor (Emerg. gro.)	13.0
Ameritrust (Growth), Ohio	11.9
Shearson Trust (EF5), Del.	11.6
Lincoln Nat'l (Spec. opp.), Ind.	11.4
Meridian (Quest), Pa.	11.3
Pacific Financial (Sm. cap.), Calif.	11.1
Bankers Trust (Supp.), N.Y.	10.5
Comerica, Mich.	10.3
IDS Trust (Emerg. growth), Minn.	10.1
S&P 500	**6.3**
Russell 2000	**3.9**

1-year returns

	%
Chancellor (Emerg. health)	37.6
Equitable Capital (Sp. gro. 3)	33.0
Princeton Bank (Emerg. gro.)	32.1
IDS Trust (Emerg. growth), Minn.	28.0
Lincoln Nat'l (Spec. opp.), Ind.	27.4
Trust Co./West, Calif.	26.4
Meridian (Quest), Pa.	23.7
First Wisconsin Asset (Growth B)	23.3
Comerica, Mich.	22.8
Connecticut Nat'l	22.4
Texas Commerce	20.3
MTrust (Growth), Texas	20.0
Chancellor (Emerg. gro.)	19.0
S&P 500	**16.5**
Russell 2000	**3.1**

5-year returns

	%
Shearson Trust (EF3), Del.	29.7
Shearson Trust (EF2), Del.	28.1
Pacific Financial (Sm. cap.), Calif.	26.7
Connecticut Nat'l	21.2
First City (G/1), Texas	20.3
Meridian (Quest), Pa.	19.9
Putnam Cos. (Growth), Mass.	19.3
Shearson Trust (EF5), Del.	18.4
Trust Co./West, Calif.	18.3
Chase-CMB (Med. cap.), N.Y.	18.3
S&P 500	**17.3**
Russell 2000	**9.6**

10-year returns

	%
Provident Capital, Pa.	21.2
MTrust (Growth), Texas	19.5
Chase-CMB (Med. cap.), N.Y.	19.1
First Wisconsin Asset (Growth B)	18.9
S&P 500	**16.9**
Russell 2000	**14.2**

PIPER commingled international funds

3-month returns

	%
New York Life (Eq.)	12.1
Wilmington Trust (Eq.), Del.	11.8
Wellington Trust (Pacific Basin)	11.6
Travelers Cos. (SA W), Conn.	11.5
Putnam Cos. (Eq.), Mass.	11.0
Boatmen's Trust (Eq.), Mo.	10.5
Aetna Life (SA 134), Conn.	10.4
U.S. Trust, N.Y.	10.4
Wellington Trust (Emerg. stock)	10.3
Citicorp Invst. (Eq.), N.Y.	10.2
NCNB Corp. (Eq.), N.C.	10.1
Morgan Guaranty (Eq.), N.Y.	10.1
Provident Capital (Low p/e), Pa.	10.1
Chase-CMB (EAFE index), N.Y.	9.7
MSCI EAFE	**9.6**
State Street Bank (Index), Mass.	9.6
Bankers Trust (EAFE index), N.Y.	9.3
PCM Int'l (Print 2 eq.), N.J.	9.2
Prudential (Stock index), N.J.	9.1
Wellington Trust (Stock)	9.0
Bessemer Trust (E), N.Y.	8.9
Travelers Cos. (TIIF), Conn.	8.8
MTrust (Eq.), Texas	8.7
FTA Europe & Pacific	**8.5**
MSCI World	**8.2**
Bankers Trust (Eq.), N.Y.	8.1
The Principal (Stock), Iowa	8.1
Union Bank (Eq.), Calif.	8.0
CL Capital (Stock), Ga.	7.9
CIGNA Corp. (Eq.), Conn.	7.4
FTA World	**7.4**
IDS Int'l (Eq.), Minn.	7.1
Marine Midland (Eq.), N.Y.	7.0
Trust Co./West (Global), Calif.	7.0
Connecticut Mutual (Overseas)	6.8
Chase-CMB (Eq.), N.Y.	6.2
Assoc. Bank-Neenah (World)	6.1
MTrust (Bond), Texas	6.1
PCM Int'l (Global bond), N.J.	5.9
Chase-CMB (Fixed), N.Y.	5.9
IAA Trust (CTF-I), Ill.	4.2
Citicorp Invst. (Fixed), N.Y.	4.2
Morgan Guaranty (Bond), N.Y.	3.9
PCM Int'l (Global yield), N.J.	3.5

1-year returns

	%
FTA Europe & Pacific	**39.5**
CIGNA Corp. (Eq.), Conn.	35.5
NCNB Corp. (Stock), N.C.	34.4
FTA World	**34.1**
IDS Int'l (Eq.), Minn.	33.0
Travelers Cos. (SA W), Conn.	31.6
Wellington Trust (Emerg. Stock)	31.1
Wilmington Trust (Eq.), Del.	28.7
Putnam Cos. (Eq.), Mass.	28.5
CL Capital (Stock), Ga.	26.3
Wellington Trust (Stock)	25.7
U.S. Trust, N.Y.	23.7
Bessemer Trust (E), N.Y.	22.9
Provident Capital (Low p/e), Pa.	21.7

Picking

Continued from page 20

Corp.'s international stock portfolio with 34.37%.

Return data for the PIPER and PIPER+ universes are compiled by Rogers, Casey & Associates, Darien, Conn.

As an example of the volatility experienced this year, the returns of Pictet's Positive Value and Judgmental Risk accounts moved from −4.6% and −9.4% respectively in the first quarter to their stellar second-quarter showings.

For Pictet, second-quarter success largely hinged on "very good stock selection in almost all markets, especially Japan's," said Mr. Blanks. The Positive Value account, which takes a quantitative and bottom-up approach, had a low 10% weighting in Japan but a concentration in medium- to smaller-size stocks, especially in such sectors as retailing, pharmaceuticals and export-oriented companies. The Average Risk Category V account, which is top-down and "heavily judgmental" in approach — contained a larger, 28% weighting in Japan; in turn, those Tokyo holdings rose 24% in dollar terms during the quarter. The Japan return of the Positive Value account "was similar but not quite as good," said Mr. Blanks.

The international equity fund managed by Gamma Advisers "seems to have consistently outperformed in Japan. And the second quarter was the strongest we've had in that market," said Robert Rock, managing director.

As market or economic conditions changed, the fund's Japanese exposure jumped to 48.5% from 27% during the second quarter, while the European exposure climbed to 49% from 41%. But "we reduced our Japanese holdings during July to a current exposure of about 40%," said Mr. Rock.

IDS International's global equity fund benefited from several factors, including "incredibly good" stock selection in the U.S. market and astute timing of investments in certain European markets, said Peter Lamaison, president.

During the quarter, the fund had more than a 25% U.S. exposure, with a concentration on blue-chip growth stocks, such as of **Philip Morris Cos. Inc.** and **Waste Management Inc.**, and technology issues including **Microsoft Corp.** "Our move into technology stocks happened last year, but they really came to life in the second quarter," noted Mr. Lamaison.

Among other fortuitous moves: substantially switching out of the West German market before its second-quarter decline and into other perceived better-valued markets as Switzerland and Italy.

At its peak in early January, the fund's West German exposure had been more than 20%; in mid-August it stood at 6%.

In the second quarter, the fund had a relatively low Japanese weighting, about 10%. Having a low exposure was beneficial for the full year, but it proved less propitious during the quarter, Mr. Lamaison acknowledged. Results of the European market rotations helped compensate for that. ■

California risky, report says

NEW YORK — Sounding another warning about the nation's depressed real estate market, Moody's Investors Service says some of California's maior markets are vulnerable to softening in the next two to three years.

Markets like San Diego, Orange County and Silicon Valley with significant exposure to the high-technology defense sector will suffer the most, the rating agency said.

In the same period, the rating agency said, asset quality measures for California real estate portfolios are likely to deteriorate, with the first evidence surfacing later this year or early next year.

As the major markets soften, California's four biggest banks — all of which have considerable California real estate exposure — will experience some portfolio deterioration. ■

Defense

Continued from page 17

outperform the market. That significantly benefited our performance," said Timothy Stives, vice president-portfolio manager. Holdings representing those industries include **Wal-Mart Stores Inc.**, **PepsiCo Inc.**, **Philip Morris Cos. Inc.** and **Johnson & Johnson.**

In light of the Middle East uncertainty, the portfolio since has become slightly more defensive. Cash was increased in the first week of August to 10% from 2%, and the portfolio mix was shifted to favor "defensive" industries of food and beverages, tobacco and health care over more "aggressive" industry groups such as retail and technology, he said. The firm did not buy energy stocks, however, because it does not consider energy industries a growth sector.

On the fixed-income side, Boatmen's Trust Co.'s $200 million Bond Fund F excelled by sticking to long bonds with 60% in U.S. Treasuries including zero-coupon bonds; 30% in mortgage-backed securities; and 10% Canadian issues. Mortgages and Treasuries were both high performers for the quarter.

The average maturity is a hefty 24 years — "short compared to the liabilities of my pension customers. Their people are going to live forever with these new medical discoveries," said Robert Franklin, senior vice president. The portfolio has few corporate bonds because of the credit risk.

Los Angeles-based Mercantile Bank Joplin's $6 million Fund F also was helped by its lengthening of maturities, to an average of eight to 12 years from four to seven years. The firm began lengthening maturities in February because executives believed long rates had peaked around 9%. The firm also reduced corporate holdings while boosting holdings of longer term Treasuries and mortgage-related securities — both of which did well in the second quarter, said Thomas Atteberry, chief investment officer.

Sanwa Bank California's Investment Trust Fund C posted a 10.59% gain, ranking second for the year, while St. Louis-based General American Life's Separate Account 6 was third with 10.52%.

The $27 million Sanwa fund has a large position in mortgage-backed securities and higher-yielding corporate bonds with some 30-year utility bonds callable in one to two years. "The emphasis has always been on maximizing income and staying fully invested," said Donald Cogswell, vice president and trust investment officer.

The portfolio's average maturity is 8.6 years and its average duration is 4.5 years. ■

The Principal (Stock), Iowa	21.6
Bankers Trust (Eq.), N.Y.	21.3
PCM Int'l (Print 2 eq.), N.J.	21.0
Citicorp Invst. (Eq.), N.Y.	19.2
Aetna Life (SA 134), Conn.	17.3
Citicorp Invst. (Fixed), N.Y.	16.9
Morgan Guaranty (Eq.), N.Y.	15.5
Union Bank (Eq.), Calif.	15.4
PCM Int'l (Global yield), N.J.	15.2
Assoc. Bank-Neenah (World)	15.0
Connecticut Mutual (Overseas)	14.4
Marine Midland (Eq.), N.Y.	12.4
New York Life (Eq.)	11.8
PCM Int'l (Global bond), M.J.	11.7
IAA Trust (CTF-I), Ill.	11.6
Boatmen's Trust (Eq. W), Mo.	10.5
Wellington Trust (Pacific Basin)	10.5
MTrust (Eq.), Texas	9.4
Trust Co./West (Global), Calif.	8.6
Morgan Guaranty (Bond), N.Y.	8.2
Chase-CMB (Fixed),N.Y.	8.0
MSCI World	**7.7**
MTrust (Bond), Texas	7.0
Chase-CMB (Eq.), N.Y.	5.8
Bankers Trust (EAFE Index), N.Y.	4.4
MSCI EAFE	**3.5**
Prudential (Stock index), N.J.	3.5
State Street Bank (Index), Mass.	3.4
Chase-CMB (EAFE index), N.Y.	3.3
Travelers Cos. (TIIF), Conn.	2.9

5-year returns

	%
FTA Europe & Pacific	**37.1**
Provident Capital (Low p/e), Pa.	33.2
Bessemer Trust (E), N.Y.	33.1
CIGNA Corp. (Eq.), Conn.	32.9
Bankers Trust (Eq.), N.Y.	31.3
NCNB Corp. (Eq.), N.C.	31.1
U.S. Trust, N.Y.	29.4
Wellington Trust (Pacific Basin)	29.3
MSCI EAFE	**29.0**
Chase-CMB (EAFE index), N.Y.	28.9
State Street Bank (Index), Mass.	28.6
Putnam Cos. (Eq.), Mass.	28.6
IDS Int'l (Eq.), Minn.	28.3
Prudential (Stock index), N.J.	28.3
Wellington Trust (Stock)	28.1
FTA World	**27.9**
Citicorp Invst. (Eq.), N.Y.	27.8
Aetna Life (SA 134)	27.4
Travelers Cos. (SA W), Conn.	27.0
Marine Midland (Eq.), N.Y.	26.9
Chase-CMB (Eq.), N.Y.	26.6
Boatmen's Trust (Eq. W), Mo.	26.3
Morgan Guaranty (Eq.), N.Y.	25.9
Union Bank (Eq.), Calif.	25.1
PCM Int'l (Global bond), N.J.	23.4
MSCI World	**22.2**
Chase-CMB (Fixed), N.Y.	19.4
Citicorp Invst. (Fixed), N.Y.	18.8
Morgan Guaranty (Bond), N.Y.	17.7

10-year returns

	%
Bankers Trust (Eq.), N.Y.	21.0
Putnam Cos. (Eq.), Mass.	20.4
MSCI EAFE	**19.7**
U.S. Trust, N.Y.	19.6
Citicorp Invst. (Eq.), N.Y.	17.7
MSCI World	**17.7**
Morgan Guaranty (Eq.), N.Y.	16.8
Morgan Guaranty (Bond), N.Y.	11.7

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Growth

Continued from page 17

Two business areas that Combined Capital likes are companies involved in either testing or proprietary data and communication services.

To that end, the firm owns **Huntingdon International Holdings PLC**, a U.K.-based company whose stock trades as an American depository receipt.

Half of Huntingdon's business is biological and medical testing. The other half is in testing for environmental compliance, and is operated from the United States.

Combined Capital also owns **Reuters Holdings PLC**.

"It's based on the belief that proprietary data and communication services is an excellent business, and that they are an excellent company in that business," Mr. Whisnand said.

The favorable returns of Chesvick Investment's $100 million equity composite were "achieved because we were bullish on growth stocks," said Richard G. Cheswick, president.

The firm emphasized pharmaceutical companies, which represented 30% to 35% of the portfolio.

"We do not diversify," Mr. Cheswick said. "We only invest in a handful of industries that are the best we can find."

First-quarter returns for growth stocks were between 5.3% and 5.5%, the result of profit taking, according to Mr. Cheswick.

"We didn't try to avoid that decline," he said. What the firm found instead were stocks Mr. Cheswick described as "Cadillacs and Mercedes selling at Chevrolet and Volkswagen prices."

Cheswick's holdings include **Merck & Co. Inc., Bristol-Myers Squibb Co., Alza Corp., Philip Morris Cos. Inc., Coca-Cola Co.** and **The Walt Disney Co.**

Dawson Samberg Capital's Growth Pequot fund benefitted from out-of-favor growth companies that re-established their growth patterns, according to Arthur Samberg, company president and portfolio manager.

Two such companies were **Adaptec Inc.**, a data processing concern, and **PacifiCare Health Systems Inc.**, a health maintenance organization.

Adaptec at one point was an industry leader. Then earnings declined and the stock collapsed, according to Mr. Samberg. But it never lost money, he said.

"I was able to buy the stock at 30% of earnings."

PacifiCare's had the misfortune of being in the HMO industry during the shakeout in the late 1980s, according to Mr. Samberg.

"Earnings went down 50%. As the industry turned, the stock appreciated."

Hedging techniques also are used, Mr. Samberg said.

"I buy index puts and I will short. I try to hedge to keep the risk profile lower."

Among balanced funds, Provident Investment Counsel's $120 million balanced composite account was first for the quarter and year, with returns of 13% and 25.74%, respectively.

The PIPER+ median balanced fund returned 4.82% for the quarter and 12.03% for the year.

Provident's balanced accounts are driven by growth stocks, according to Jeffrey Miller, executive vice president.

"Our long-term philosophy is in the long run, we know stocks will outperform bonds and cash," Mr. Miller said. "They are equity driven based on the opportunities we see in the equity markets."

Remaining cash is used to buy fixed-income securities based on the manager's duration decision.

The asset mix is about 60% equity, 30% fixed income and 10% cash, according to Mr. Miller.

Provident's equity holdings include Home Depot, **Wal-Mart Stores Inc.** and **PepsiCo Inc.**

On the fixed-income side, W.R. Huff Asset Management's fixed-income account was first for the quarter with a return of 6.43%. Philadelphia Investment Management's fixed-income portfolio was tops for the one-year period, returning 10.47%.

The Shearson Lehman Hutton Government/Corporate Bond Index posted returns of 3.6% for the quarter and 7.11% for the year. The median PIPER+ fixed-income portfolio returned 3.23% for the quarter and 7.38% for the year. ■

Stumble

Continued from page 17

malls was slightly positive in the Midwest, 0.9%, and negative in the East, −0.2%.

The fact the trust assets are invested principally in major malls, which have had flat appreciation, has led to lower than previous returns, according to John Lillard, president of JMB Institutional Realty.

He predicts valuations are likely to be soft for two to three years.

Besides retail malls, the trusts have substantial investments in large office buildings. Office building returns have been significantly underperforming retail malls.

For the year ended March 31, retail malls returned 9.7%, while office buildings returned 3%.

Pension officials, however, got overall positive investment performance from real estate even during the falling stock and bond markets of the first quarter. That appeared to show that real estate — as real estate advisers have long contended — has a low correlation with the movements of the stock and bond markets.

According to PIPER, open-end real estate funds scored a median return of 1.2% in the first quarter. Closed-end funds scored an even higher median, 1.5%. But during the same period, the stock and bond indexes had negative returns.

The Standard & Poor's 500 Stock Index scored −3% for the quarter and the Shearson Lehman Hutton Government/Corporate Bond Index returned −1.1%.

Longer term, however, real estate pooled returns look generally weak against the stock and bond markets.

For the 12 months ended March 31, real estate open-end funds returned a median of 7.4% and closed-end, 7.1%.

For the same year, the S&P scored 19.2%, and the SLH Government/Corporate index, 11.7%.

Another problem for the investor is that individual real estate fund returns are widely separated. For the year ended March 31, a separate account timber fund from John Hancock Properties, Boston, scored the highest open-end fund return, 40%.

First Wachovia Corp.'s Real Estate Fund, an open-end developmental fund, had the lowest return for that period, −16.1%.

The HPF1 fund of Equitable Real Estate Investment Management, New York, had the highest one-year return for closed-end funds, 26.4%. It is a small fund dominated by one regional mall.

Fund I of Equitec Institutional Realty Advisers Inc., Oakland, Calif., had the lowest 12-month return for closed-end funds, −44.26%.

Even some funds advised by the same real estate manager posted a wide spread.

State Street Bank & Trust Co., Boston, Real Estate I fund, advised by Aldrich, Eastman & Waltch, Boston, scored the second highest return among closed-end funds for one year, 22%.

But for the same period, State Street's Real Estate Fund II scored −10.85% and State Street's Real Estate IV scored −5.1%. Aldrich, Eastman & Waltch also manages both those opportunity funds.

PIPER, compiled by Rogers, Casey & Associates, Darien, Conn., tracks bank and insurance company commingled funds. ■

Health

Continued from page 20

The post-venture portfolio of Brinson Partners Inc. finished second among the PIPER+ universe for the second quarter and the three-year period, with respective returns of 12.46% and a compound annualized 19.55%.

The $70 million fund is value oriented, focusing on stocks with innovative management, growth in market positions, strong balance sheets and other good financials, according to Alvin Marley, manager of post-venture investments.

The firm chooses its stocks not so much on where the company is but where it will be, Mr. Marley said.

RTA Management Inc.'s Hedge Fund was the third best performing fund for the quarter, at 12.2%, and the second best for the year at 43.56%.

According to Richard Tuck, chairman, the fund hedges by selling short half of the 50-stock portfolio.

Mr. Tuck said, however, the firm counts on making its money with the stocks that aren't sold short.

For the one- and five-year periods, The Southgate Partners account of the short-selling Feschbach Brothers led the way among the PIPER+ managers, returning 44.36% and 32.78%, respectively. All returns for periods of more than one year are compound annualized.

For the year ended June 30, the median PIPER+ manager returned 4.43%, and for the five-year period, 10.61%.

The S&P returned 16.51% and 17.3%, and the Russell 2000 returned 3.05% and 9.57%, respectively. ■

Banker group glowing over CDA report

A bank group is touting a recent study by CDA Investment Technologies Inc. that indicates commercial bank trust departments outperformed insurance companies, mutual funds and investment managers in equities during 1989.

The American Bankers Association was so proud of the study it released the findings at its recent National Trust & Financial Services Conference in New York. Problem is, CDA's annual study does not include one-year returns, according to CDA President Robert Levy. He said the firm provides the one-year data to the bankers but does not include it in its annual study because the study is meant to take a long-term view of investment performance.

The annual study, gleaned this year from data from 1,394 equity managers and 662 fixed-income managers, revealed banks' equity accounts returned on a weighted average an annualized 16.1% for the three-year period ended Dec. 31, ahead of the other categories.

Banks also were better than mutual funds for the five- and 10-year annualized periods ended Dec. 31, returning 19.2% and 16.8% respectively, but they dipped below insurance companies and investment managers by tenths of percentage points.

According to the CDA survey, none of the groups performed better than the Standard & Poor's 500 Stock Index for the three periods.

On the fixed-income side, banks again performed better than mutual funds for the one-, three- and five-year annualized periods. Insurance companies outperformed banks by one-half of a percentage point for the three periods the survey measured.

Figures for investment managers' fixed-income performance were not available.

As with equities, the market benchmark — CDA chose the Shearson Lehman Hutton Aggregate for this study — outperformed the groups for all three time periods.

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Investors calm

Continued from page 3

economy got hit right away, and small stocks in general got hit pretty hard too."

Among its purchases since the invasion are **Ford Motor Co.** in automobiles, **Compaq Computer Corp.** in technology and **Petrie Stores Corp.** and **Loews Corp.** in retail.

Mr. Foote said the firm, which runs $25 million in tax-exempt accounts, reduced its cash from about 10% of portfolios to 5% since the invasion.

William A. Inskeep, chief investment officer of Wm. A. Inskeep & Co., Fort Myers, Fla., said, "We committed some funds when the market (declined).

"We had some reserves and thought some bargains were available, primarily in higher p/e stocks," including **The Home Depot Inc., United States Surgical Corp.** and **Syntex Corp.**

"In general, we were running 15% to 18% in (cash) reserves, and we probably committed half of that," Mr. Inskeep said.

"I tend to be more optimistic," but he acknowledged that "if something horrendous happens in the Middle East) it will be too late to get out (of the stock market)."

He said his portfolios contain mostly consumer non-durable and service-type companies that tend to do well under economic strain. "We're fortunate" that the portfolios before the invasion held in general 15% of their holdings in oil and oil service stocks. But, he said, "We don't own any airlines or chemical or refinery companies," stocks he's happy to keep out of the portfolios.

At Invista Capital Management Inc., Des Moines, Iowa, S. Ralph Kosmicke, chief investment officer, said: "There's no good news coming out of the Mideast to help the U.S. economy. It's squeezing the consumer, raising inflation."

Corporate earnings increases have been getting scarcer, a trend the Middle East crisis likely will further, he added.

Invista, always fully invested, has been increasing its exposure to those growth stocks with earning gains potential. "We think we're buying scarce earnings gains," he said. "We think the stock of Motorola or 3M likely will do better when they show earnings gains and other companies won't. You get exclusivity or scarcity of value, if you will . . . The situation in the Mideast likely will cause a further scarcity in earnings gains."

Pension funds that were invested in oil assets — whether stocks or wells — prospered as a result of their foresight and the crisis.

John Hill, managing director, First Reserve Corp., Greenwich, Conn., which offers direct investments in the energy business, said pension funds have a total of about $1.5 billion in direct energy investments.

First Reserve since the mid-1980s has placed about $300 million for several pension fund clients including Eastman Kodak Co., Honeywell Inc., the Minnesota State Board of Investment and Southern New England Telephone.

Mr. Hill said the impact of the Middle East crisis for institutional holdings in energy "means their assets are worth a lot more than they were about two weeks ago, about 25% to 30% in the last two weeks if prices stay where they are."

Tactical asset allocators reacted in various ways to the Middle East developments.

Schield Management Co., Denver, moved its accounts to a defensive position before the Iraqi invasion. Its model depends on price momentum, and price momentum broke down before the invasion because of inflationary and recessionary fears in the market, said Marshall Schield, president.

In the last week of July, Schield moved its $180 million in assets in its primary strategy to 100% cash from 100% equities. In its aggressive strategy, it continued to hold stocks but sold futures to make the portfolios 100% hedged. It has about $5 million in this strategy.

The Middle East troubles, Mr. Schield added, make this move look even better, as the troubles have added to the fears of inflation and recession.

PanAgora Asset Management, Boston, was underweighted in equities and bonds before the invasion, and subsequent market gyrations haven't changed its position much, according to Ed Peters, manager of asset allocation. "All of our economic indicators had been bearish for some time," he said. In accounts with a standard allocation of 60% equities and 40% bonds, the firm was 50% stocks, 20% bonds and 30% cash; it moved the bond allocation up to 25% and reduced cash to 25%, leaving equities the same, as the yield curve steepened after the bond market's Aug. 6 collapse.

Matrix Capital Management, Greenwich, Conn., has not changed the allocation in its TAA accounts. In accounts with a target mix of 60% stocks and 40% bonds, the allocation is 65% stocks, 30% bonds and 5% cash.

It's too hard to know what the final effect will be on the U.S. economy to make judgments based on the crisis, said Mike Petrino, president.

Therefore, he said, the best thing to do is to be neutral until it's all sorted out.

Bankers Trust Co. — Investment Management Group, New York, gradually has reduced the equity exposure of its TAA accounts since the end of June. This is because of the downward trend in equity prices, and this trend is due partly to the Middle East crisis but also to the soft economy and higher odds of a recession, said Steve Lauer, senior vice president.

The 62% equity allocation at the end of June has been reduced to 49% in three steps. The bond allocation has gone up to 51% from 38%, and the TAA portfolios have no cash right now.

While most funds and money managers did not panic, the crisis did cause a surge in hedging activity.

Volume on the Chicago Board Options Exchange rose when the stock market reacted to the invasion, said Alger B. "Duke" Chapman, chairman of the CBOE.

Index options were more active than options on individual stocks, he added. The week ended Aug. 17 is an expiration week, which could account for some of the increased activity, he said.

The Chicago Mercantile Exchange saw its volume spike up in the week following the invasion, with the most volume occurring Aug. 3, when 728,021 contracts changed hands, almost twice the average daily volume this year.

Eurodollar futures were particularly active. On the Singapore Monetary Exchange, total volume went to 72,279 contracts Aug. 2 from 19,834 the day before.

While stock index futures volume rose somewhat as the markets reacted to the Iraqi invasion, their volume didn't keep pace with the increase in stock volume, according to statistics from PaineWebber Inc., New York.

Stock volume has surged more than futures volume apparently because investors are making bets on sectors of the market, rather than the market as a whole, said Joanne Hill, first vice president of PaineWebber's derivative products group. Also, the recently imposed Securities and Exchange Commission rule that makes index arbitrageurs wait for an uptick before executing the stock side of their trades on days the market has moved 50 points or more may have restricted arbitrage activity, she said.

The domestic equity accounts of Brinson Partners Inc., Chicago, were 29% hedged going into the Middle East crisis; the firm had moved to this position early in June, up from 24%.

"It's our opinion that we should maintain the hedge for a bit longer," said Jeff Diermeier, managing partner-U.S. equities. The reasons include the rise in interest rates and fall in the Japanese market. Brinson Partners has $3 billion in U.S. equities and uses stock index futures (usually the S&P 500, which is the most liquid contract) to hedge. ■

PBGC

ontinued from page 1

he potential for absorbing illions of dollars in liabilities rom poorly funded pension lans.

In addition, both the General Accounting Office and some members f Congress have focused on the overnment's potential exposure to ension liabilities.

James A. Lockhart III, the BGC's executive director, has sed the "hidden Pac-Man" analogy in referring to the agency's xposure to underfunded pension lans. The PBGC had a $1 billion eficit as of Sept. 30, down from 1.5 billion 12 months earlier.

Mr. Lockhart wouldn't comment on the specifics of the OMB ocument. The PBGC is expected o unveil legislative proposals arly next year, some of which ere incorporated in the OMB ptions paper.

OMB officials could not be eached for comment.

Any effort to further increase BGC premiums or to trim or liminate PBGC guarantees, however, is likely to elicit howls of rotest from business, labor and lan participant groups.

Premiums were raised in 1986 nd 1987 from a flat rate of $2.60.

Organized labor strongly fights ny efforts to pare back PBGC uarantees. Mr. Lockhart has told ongress plant shutdown benefits, which are supplemental benefits that kick in only when a plant is closed and are not prefunded or assessed a premium, have generated $1 billion of the agency's $4 billion in liabilities.

"We obviously strongly oppose any cutback in PBGC guarantees, in any shape or form," said Alan Reuther, associate general counsel for the United Auto Workers, Washington. There is no financial need to change the variable rate premium, and the PBGC should not be managed like a private insurance company that carries zero risk because it is a social insurance program, he said.

In its July 16 draft paper, OMB said limits would be set for the PBGC that could trigger increased surcharges, limit program coverage or otherwise reduce risk to the government.

"For example, whenever PBGC's exposure (unfunded vested benefits) increases by more than 10 percent or $1 billion in covered defined benefit pensions, a surcharge could be imposed on the variable portion of the premium that is paid by plans with unfunded vested benefits," the paper said.

The paper later said the variable rate portion could be increased enough to amortize the increase in PBGC liability over five years, while not changing the $16 basic rate.

Another option would be to impose a surcharge on employers with underfunding exceeding $50 million. The surcharge would be set at the cost of borrowing any amounts over $50 million based on the difference between the company's long-term commercial borrowing rate and the interest rate for highest-rated investment grade bonds.

Employers would have the choice of paying the surcharge or pledging corporate assets to the PBGC to secure the underfunding. The $50 per participant cap on the variable premium would be removed under this option.

This option would take a toll on large plans that might be marginally underfunded on a percentage basis, but still short hundreds of millions of dollars.

The administration also is thinking of making changes that stem from the PBGC's litigation against The LTV Corp. OMB suggested giving the PBGC priority status for the full amount of its claim in bankruptcy proceedings, which could hamper employers' ability to reorganize under Chapter 11 of the Federal Bankruptcy Code.

In addition, the government could require that PBGC interest rates be used in determining the present value of a bankrupt employer's unfunded pension liability.

The U.S. Bankruptcy Court overseeing the LTV case ruled against the PBGC on both of those issues, which had the effect of substantially reducing the agency's claims.

OMB also suggested requiring inclusion of the PBGC on creditor committees. ■

Oil belt

Continued from page 3

have a "show me" attitude, said Robert D. Barkley, a vice president with L.J. Melody & Co., Houston, a real estate investment adviser.

Bruce Hineman, chief executive officer of the $23 billion Teacher Retirement System of Texas, Austin, said it might take a year before there is any effect from the rise in oil prices.

The retirement system has 8% of its assets in participating mortgages, several of them in Texas.

One problem that would slow any recovery in the oil states, said Mr. Hineman, is that oil rigs have been mothballed, and it is unlikely that they will be put back to use quickly. Oil exploration and drilling brought jobs to the Southwest, thus sparking the economies there.

In addition, many states have reduced their economic dependency on the oil industry. For example, oil now represents about 15% of the Texas economy, compared with 25% in the past, Mr. Hineman said.

Financing for new exploration also may be difficult to attract. Messrs. Hineman and Barkley said banks are still leery to lend for oil exploration after the collapse of prices in 1986.

Mr. Kateley, however, said lending on oil exploration and refining is a high-margin business for banks, and banks are "dying for high-margin business."

Once assured higher oil prices are not just temporary, the "financial community will be relatively quick to seize on lending opportunities" connected with oil exploration and refining, he said. ■

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